118-634

TRANSCRIPT OF RECORD.

SUPREME COURT OF THE UNITED STATES.

OCTOBER TERM, 1885.

No. 1197. 789 - 4820

JOHN P. DELANO, APPELLANT,

vs.

PETER BUTLER, RECEIVER OF THE PACIFIC NATIONAL BANK OF BOSTON.

APPEAL FROM THE CIRCUIT COURT OF THE UNITED STATES FOR THE DISTRICT OF MASSACHUSETTS.

FILED NOVEMBER 6, 1885.

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1 UNITED STATES OF AMERICA, *Massachusetts District*, } ss:

At a circuit court of the United States for the first circuit begun and holden at Boston, within and for the district of Massachusetts, on Friday, the fifteenth day of May, in the year of our Lord one thousand eight hundred and eighty-five, before the Honorable Le Baron B. Colt, circuit judge.

JOHN P. DELANO, Complainant,
v.
LINUS M. PRICE, Receiver, Defendant. } In Equity.

The bill of complaint in this cause is filed in the clerk's office on the eighth day of June, A. D. 1885, and is duly entered at the present May term of this court, A. D. 1885, and is in the words and figures following:

2 *Bill of Complaint.* (*Filed June* 8, 1885.)

To the judges of the circuit court of the United States for said district:

John P. Delano, of Bath, in the district of Maine, and a citizen of the State of Maine, brings this his bill of complaint against Linus M. Price, a citizen of the State of New Jersey, but now commorant at Boston, in said district, as he is receiver of the Pacific National Bank of said Boston, a national banking association organized under the laws of the United States.

And thereupon your orator complains and says:

That on or about the fourteenth day of March, 1883, the said respondent, in his capacity as receiver of said bank, instituted a suit against your orator by writ issuing out of this honorable court, and returnable to the May term thereof then next, which was duly entered in said court and is still pending therein; by which suit said respondent sought and still seeks to enforce against your orator an alleged personal liability as the alleged holder of sixty shares of the capital stock of said bank, at the time of its insolvency, failure, or suspension, to the amount of six thousand dollars and interest thereon.

A copy of the declaration in said suit (marked "A") is hereunto annexed and made part of this bill.

2a And your orator further says that, prior to the institution of said suit against him by the respondent, and in anticipation of such enforcement by the receiver against him of said alleged liability, as the alleged holder of said shares, your orator had fully satisfied and extinguished such alleged liability, under the circumstances and in the manner hereinafter set forth, viz:

On or about the eighteenth day of November, 1881, said Pacific National Bank, being unable to meet its debts and liabilities, suspended payment thereof, and thereupon closed its doors to business, being then insolvent, and owing debts to a large amount in excess of all its assets, its capital stock, and the amount of the one hundred

per centum for which the stockholders were by law liable upon their several shares therein towards the payment of the debts of said bank; whereupon Daniel Needham was duly appointed special examiner of said bank by the Comptroller of the Currency of the United States, and by him placed in possession and charge of said bank, and all the assets, records, and books of said banking association, with the power and duty imposed on him to make a thorough examination into all the affairs of said association, to examine all the officers and agents thereof on oath, to make report of the standing and condition of said bank, and to receive all moneys paid for the benefit of the creditors of said bank, and to retain them and all assets of said bank in his possession until discharged from said trust.

Said bank, with its assets and the moneys aforesaid, remained in the exclusive charge and possession of the said Needham, with its doors closed to business as aforesaid, until long after the twentieth day of January, 1882.

And your orator further says that said Comptroller of the Currency, well knowing the facts above set forth concerning the insolvency of said bank, on the sixteenth day of December, 1881, notified the stockholders thereof that the entire capital stock of said bank had been lost, and that they were required to pay one hundred per centum upon the amount of the capital stock of said bank held by each one of them, and informed them that, if they should neglect such payment for three months from the date of said notice, a receiver would be appointed, and the affairs of the bank be closed up in the manner provided in sect. 5234 of the Revised Statutes
3 of the United States, which your orator well knew would involve the necessity of an assessment of one hundred per centum upon the par value of each share of stock held by the stockholders of said bank for the payment of its debts.

And your orator further says that he received information that a meeting of certain stockholders of said banking association was held in said Boston on or about the tenth day of January, 1882, at which said Needham was present in his capacity of examiner as aforesaid, and, as representative of the Comptroller of the Currency and agent of the creditors of said bank, urged the stockholders there assembled to voluntarily pay the one hundred per centum upon the par value of their stock which is required by the statute, and represented to them that the bank was then insolvent and the capital stock wholly lost, and that the bank must be put into the hands of a receiver, when the payment of an amount equal to the par value of the stock in said bank held by him would be demanded of each stockholder under the provisions of sect. 5151 of the Revised Statutes of the United States, and its payment would be enforced by process of law unless said stockholders would voluntarily pay such amount, to be applied to the payment of the debts and liabilities of the bank, and that if the stockholders would voluntarily assess upon themselves and pay said amount they would thereby be relieved from any further liability under said statutes to an assessment for the payment of the debts of said bank, and that thereupon said stockholders at said meeting resolved voluntarily to assess upon

themselves and severally to pay an amount equal to the par value of the several shares of their stock for the purposes aforesaid.

And your orator further says that at the time of said meeting it was alleged, and your orator knew that it was alleged, that he was the owner of sixty shares of the capital stock of said bank, and that as such owner he was personally liable to the creditors of said bank in the sum of one hundred per centum of the par value of said shares, viz, the sum of $6,000, and that having been informed that said notice of said comptroller ordered an assessment for the payment of debts and of the aforesaid statements, representations, and assurances made by said Needham, and having also been as-
4 sured personally, by a director acting with said Needham and for said bank in the management of its affairs, that a voluntary payment of said hundred per centum would discharge him from further liability for the debts of said bank, your orator, on or about the twentieth day of January, 1882, acting upon the fact set forth in said notice that the stock was all lost, and under the influence of the menace therein contained, and relying upon the representations, statements, and assurances of said Needham made by him as aforesaid and upon the assurance of said director, and believing the same to be true, elected to anticipate the enforcement by a receiver of such alleged liability as owner of said shares, and in pursuance of such election and for the purpose of discharging said alleged liability voluntarily paid to the cashier of said bank, by direction of said Needham, an amount equal to one hundred per centum of the par value of said sixty shares of capital stock, which it is alleged in the respondent's said declaration are owned by him, viz, the sum of $6,000, for the purpose of paying the debts of said bank, which said sum was duly applied in part payment of the debts and in liquidating the liabilities of said association.

And your orator further says that the creditors of said association, among whom said sum was distributed, were the same persons and no others for whose benefit said respondent now seeks by said suit to enforce against your orator his liability therein alleged.

And your orator further says that by the voluntary payment of the $6,000 as aforesaid and the payment of said sum to the creditors of said bank as aforesaid he fully satisfied and discharged, in law and equity, all the liabilities imposed upon him by said sect. 5151 of said statutes, set forth against him in respondent's said declaration.

And your orator says that since said payment by him made on or about the twentieth day of January, 1882, of said sum of $6,000 to the cashier of said bank to satisfy his said alleged liability as a holder of sixty shares of the capital stock of said bank as hereinbefore set forth he has not at any time been the owner or holder of any shares of said capital stock which he did not own or hold when he made said payment, and the sixty alleged shares upon which he
5 made said payment are the same shares as the sixty alleged shares mentioned in the respondent's said declaration in said action at law.

And your orator further says that at the time of said insolvency,

failure, or suspension of said banking association he owned only thirty shares of the capital stock thereof, and that he does not now own, nor has he ever owned, sixty shares thereof, as alleged in said declaration; that theretofore, viz., in the month of September, A. D. 1881, the directors of said bank voted an increase of the capital stock of said bank from five hundred thousand dollars to one million dollars, and assigned thirty shares of such increase to your orator, upon which thirty shares of such supposed increase of stock he paid one hundred per cent. aforesaid, supposing himself liable upon said shares as legal stock of said bank; but he says that in fact no such increase of the capital stock of said bank had been legally made and that the attempted increase and issuance of the same by said directors were without authority of law and wholly void; and he further says that the said one hundred per cent. on the same, being a part of the said $6,000 paid by him, was paid as aforesaid upon said supposed shares for the purpose of paying the debts of said bank, and was so applied, as hereinbefore set forth, and that your orator has already paid upon the stock in fact owned by him in said bank a sum equal to double the amount of his stock therein at its par value as a contribution by him towards the payment of the debts and engagements of said bank.

And your orator says that in equity and good conscience said payment by him made and the application of the said $6,000 to the payment of the debts of said banking association were a satisfaction of his alleged individual responsibility and liability as a shareholder of said bank for all contracts, debts, and engagements of said association, or that said payment constitutes and should be treated as an equitable set-off to said alleged liability, and that the liability sought to be enforced against your orator in said suit now pending is the same as and no other than that already satisfied, and that the creditors of said bank have received the full benefit of said payment by which your orator anticipated the present attempt by said suit to enforce said liability, and that it would be in-
6 equitable, unjust, and a hardship upon your orator to be held a second time upon said supposed liability.

Notwithstanding all which matters and things said Price, the respondent, ignoring the same, proposes to press and is now pressing said suit against your orator.

To the end, therefore, that your orator may have that relief which he can only obtain in a court of equity, and that the said respondent may answer the premises (but not upon oath, which is hereby expressly waived), and that said respondent, plaintiff as aforesaid in said action at law, may be not only perpetually enjoined from further prosecuting said action, but may also be temporarily and specially enjoined from prosecuting the same during the pendency of this bill, and that your orator may have such further and other relief in the premises as the nature and the circumstances of this case may require and as to your honors shall seem meet, may it please your honors to grant unto your orator not only the most gracious writ of injunction issuing out of and under the seal of this honorable court, according to the form of the statute in such case

made and provided, to be directed to the said Limus M. Price, commanding him absolutely to desist, and enjoining and restraining him, the said respondent, from proceeding further with said action against your orator, and restraining him from proceeding at law against your orator touching any of the matters in question, and a special order enjoining and restraining him from prosecuting said action at law during the pendency of this bill, but also a writ of subpœna of the United States of America, issuing out of and under the seal of this honorable court, directed to the said Price, defendant, commanding him on a day certain, therein to be named, and under a certain penalty, to be and appear in this honorable court, and then and there to answer all and singular the premises (but not under oath), and to stand to, perform, and abide such further order, direction, and decree as may be made against him.

And your orator, as in duty bound, will ever pray.

JOHN P. DELANO.

A. P. GOULD,
Of Counsel.

7 UNITED STATES OF AMERICA, }
District of Maine, } *ss:*

THOMASTON, *June* 1, 1885.

Personally appears the above-named John P. Delano and makes oath that the foregoing bill of complaint is true, except as to those matters stated on information and belief, and as to those matters he believes it to be true.

Before me—

[SEAL.]

F. H. JORDAN,
Notary Public.

"A." Copy annexed.

Plaintiff's Declaration.

Circuit Court of the United States, District of Massachusetts.

LINUS M. PRICE, Receiver, *v.* JOHN P. DELANO.

Plaintiff says that the Pacific National Bank of Boston heretofore, and prior to the acts herein mentioned, was duly organized and authorized to do business as a national bank or banking association under and by virtue of an act of Congress entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved on the 3d day of June, A. D. 1864, and which said provisions are embraced in title sixty-two of the Revised Statutes of the United States, located and having its banking house at Boston, in — State of Massachusetts; that said banking association thereupon proceeded, and for a long time thereafter continued, to issue currency and receive deposits of money, discount negotiable paper, and generally to transact the business of a national banking association, as authorized by the aforesaid act of Congress; that in its said

failure, or suspension of said banking association he owned only thirty shares of the capital stock thereof, and that he does not now own, nor has he ever owned, sixty shares thereof, as alleged in said declaration; that theretofore, viz., in the month of September, A. D. 1881, the directors of said bank voted an increase of the capital stock of said bank from five hundred thousand dollars to one million dollars, and assigned thirty shares of such increase to your orator, upon which thirty shares of such supposed increase of stock he paid one hundred per cent. aforesaid, supposing himself liable upon said shares as legal stock of said bank; but he says that in fact no such increase of the capital stock of said bank had been legally made and that the attempted increase and issuance of the same by said directors were without authority of law and wholly void; and he further says that the said one hundred per cent. on the same, being a part of the said $6,000 paid by him, was paid as aforesaid upon said supposed shares for the purpose of paying the debts of said bank, and was so applied, as hereinbefore set forth, and that your orator has already paid upon the stock in fact owned by him in said bank a sum equal to double the amount of his stock therein at its par value as a contribution by him towards the payment of the debts and engagements of said bank.

And your orator says that in equity and good conscience said payment by him made and the application of the said $6,000 to the payment of the debts of said banking association were a satisfaction of his alleged individual responsibility and liability as a shareholder of said bank for all contracts, debts, and engagements of said association, or that said payment constitutes and should be treated as an equitable set-off to said alleged liability, and that the liability sought to be enforced against your orator in said suit now pending is the same as and no other than that already satisfied, and that the creditors of said bank have received the full benefit of said payment by which your orator anticipated the present attempt by said suit to enforce said liability, and that it would be in-
6 equitable, unjust, and a hardship upon your orator to be held a second time upon said supposed liability.

Notwithstanding all which matters and things said Price, the respondent, ignoring the same, proposes to press and is now pressing said suit against your orator.

To the end, therefore, that your orator may have that relief which he can only obtain in a court of equity, and that the said respondent may answer the premises (but not upon oath, which is hereby expressly waived), and that said respondent, plaintiff as aforesaid in said action at law, may be not only perpetually enjoined from further prosecuting said action, but may also be temporarily and specially enjoined from prosecuting the same during the pendency of this bill, and that your orator may have such further and other relief in the premises as the nature and the circumstances of this case may require and as to your honors shall seem meet, may it please your honors to grant unto your orator not only the most gracious writ of injunction issuing out of and under the seal of this honorable court, according to the form of the statute in such case

made and provided, to be directed to the said Limus M. Price, commanding him absolutely to desist, and enjoining and restraining him, the said respondent, from proceeding further with said action against your orator, and restraining him from proceeding at law against your orator touching any of the matters in question, and a special order enjoining and restraining him from prosecuting said action at law during the pendency of this bill, but also a writ of subpœna of the United States of America, issuing out of and under the seal of this honorable court, directed to the said Price, defendant, commanding him on a day certain, therein to be named, and under a certain penalty, to be and appear in this honorable court, and then and there to answer all and singular the premises (but not under oath), and to stand to, perform, and abide such further order, direction, and decree as may be made against him.

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Personally appears the above-named John P. Delano and makes oath that the foregoing bill of complaint is true, except as to those matters stated on information and belief, and as to those matters he believes it to be true.

Before me—

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Circuit Court of the United States, District of Massachusetts.

LINUS M. PRICE, Receiver, *v.* JOHN P. DELANO.

Plaintiff says that the Pacific National Bank of Boston heretofore, and prior to the acts herein mentioned, was duly organized and authorized to do business as a national bank or banking association under and by virtue of an act of Congress entitled "An act to provide a national currency secured by a pledge of United States bonds, and to provide for the circulation and redemption thereof," approved on the 3d day of June, A. D. 1864, and which said provisions are embraced in title sixty-two of the Revised Statutes of the United States, located and having its banking house at Boston, in — State of Massachusetts; that said banking association thereupon proceeded, and for a long time thereafter continued, to issue currency and receive deposits of money, discount negotiable paper, and generally to transact the business of a national banking association, as authorized by the aforesaid act of Congress; that in its said

business as aforesaid the said banking association contracted, prior to the 22d day of May, A. D. 1882, large debts and liabilities, and that, to wit, on the 22d day of May, A. D. 1882, the Comptroller of the Currency of the United States was satisfied from a report of proceedings of the board of directors of the Pacific National
8 Bank of Boston, previously made to said comptroller, that said banking association, the Pacific National Bank of Boston aforesaid, was insolvent and unable to pay its debts and liabilities; that the said Comptroller of the Currency, upon being satisfied of the insolvency of said banking association as aforesaid, did, to wit, on the 22d day of May, A. D. 1882, and as authorized and empowered to do by virtue of section one of an act of Congress entitled "An act authorizing the appointment of receivers of national banks and for other purposes," approved on the 30th day of June. A. D. 1876, duly appoint the said Linus M. Price receiver of all the property, books, records, and assets of the said banking association as is provided by law. And the said Linus M. Pierce accepted said appointment and duly qualified as such receiver aforesaid, and executed such bond and with such surety as required by the laws of the United States and approved by said comptroller, and which said appointment more fully appears by a copy thereof hereto annexed, marked "Schedule A," or to the original of which, ready to be produced in court, the said plaintiff craves leave to refer; that thereupon the said plaintiff, under the direction of the said comptroller took possession of the books, records, property, and assets of every description of the Pacific National Bank of Boston aforesaid, and has ever since been, and is now, engaged in collecting and converting the assets thereof and discharging in other respects the lawful duties of his said receivership.

And the plaintiff avers that the property and assets of said banking association are insufficient to pay and satisfy its debts and liabilities contracted as aforesaid; and that, in order to provide for the paying of the same, it became and was and is now necessary to enforce the personal liabilities of the stockholders, as is provided and imposed by said act of Congress.

And the said plaintiff further avers that the said Comptroller of the Currency did ascertain and determine, upon data satisfactory to him, that the assets and credits of said association were insufficient to pay its said debts and liabilities, and that in order to provide the money necessary to pay said debts and liabilities of said association, it was necessary to enforce the individual liability of the shareholders of said association, as provided by the aforesaid act of Congress, and especially by the twelfth section thereof (section 5151, U. S. Rev. Statutes); and that said comptroller, in pursuance of the powers for that purpose vested in him by the aforesaid act of Congress, and to that end did, to wit, on the 27th day of November, A. D. 1882, order and make an assessment upon the said shareholders of said association, including the said defendant in this action, and each and every one of them, equally and ratably, to the amount of one hundred dollars per centum ($100 per cent.) of the par value of the shares of the capital stock in the said association held

or owned by them respectively, including the defendant, at
9 the time of its insolvency, failure, or suspension, as aforesaid, which said assessment more fully appears by a copy of the order making the same hereto annexed, marked "Schedule B," or to the original thereof, ready in court to be produced and to which the said plaintiff craves leave to refer.

And the said plaintiff further avers that the said comptroller has decided that it is now necessary to institute a suit or suits against the said shareholders, including the defendant, to enforce their said personal liability, and to that end has ordered and directed the said plaintiff to institute in the proper court or courts such suit or suits as may be necessary to enforce against each and every shareholder of the said association, equally and ratably, his or her personal liability as such shareholder, in manner and to the extent provided by the twelfth section of said act (section 5151, U. S. Rev. Statutes)—that is to say, the rate of one hundred per cent., hereinbefore specified.

And the said plaintiff further avers that the said defendant was, at the time of said insolvency, failure, or suspension of said banking association, a shareholder of its capital stock to the amount of sixty shares, of the par value of one hundred dollars per share, and of the aggregate value at par of six thousand dollars, and held, or was entitled to hold, in his possession or control the usual stock certificates, as such shareholder in said banking association, and that, to wit, on the first day of December, A. D. 1882, the said plaintiff made demand in writing upon the said defendant as such shareholder for payment of sum of six thousand dollars, the amount of said assessment so made as aforesaid under and by virtue of the order of the Comptroller of the Currency, hereto annexed and marked "Schedule B," as aforesaid.

And the said plaintiff avers that, by reason of the premises, the said defendant has become and now is indebted and liable to pay to the plaintiff, as such receiver, one hundred per cent. of the amount of said capital stock—that is, one hundred dollars upon each and every share so held and owned by the said defendant at the time of the declared insolvency, failure, and suspension of said banking association as aforesaid, and which said liability or indebtedness of the defendant amounts in the whole to the sum of six thousand dollars, which said sum of money so due, owing, and payable to the said plaintiff as receiver aforesaid, though often requested, the said defendant has not paid the same, or any part thereof, but has wholly neglected and refused, and still does neglect and refuse, so to do.

The defendant owes the plaintiff the said sum, with interest thereon, which is demanded, to the damage of the said plaintiff, as he says, the sum of twelve thousand dollars, which shall then and there be made to appear, with other due damages.

10 SCHEDULE A. Referred to in foregoing declaration.

WASHINGTON, *May* 22, 1882.

Whereas it appears from the report of proceedings of the board of directors of the Pacific National Bank of Boston, located in the city

of Boston, county of Suffolk, and State of Massachusetts, at a meeting held on May 20, 1882, that the said bank is insolvent, and being satisfied that the said bank is insolvent and unable to pay its just and legal debts:

Now, therefore, I, John Jay Knox, Comptroller of the Currency, in pursuance of the power and authority vested in me by law, and under the provisions of sect. 1 of an act of Congress entitled "An act authorizing the appointment of receivers of national banks, and for other purposes," approved June 30, 1876, do hereby appoint Linus M. Price, receiver of the Pacific National Bank of Boston, with all the powers, duties, and responsibilities given to or imposed upon a receiver under provisions of the Revised Statutes of the United States which authorize the appointment of a receiver.

In witness whereof I have hereto subscribed my name and caused my seal of office to be affixed to these presents, at the city of Washington, in the District of Columbia, this twenty-second day of May, A. D. 1882.

[L. S.] (Signed) JOHN JAY KNOX,
Comptroller of the Currency.

SCHEDULE B. Referred to in foregoing declaration.

In the Matter of "THE PACIFIC NATIONAL BANK OF BOSTON," MASS.

To all whom it may concern:

This is to certify that I have taken an accounting of the condition of the estate of the Pacific National Bank of Boston, Mass., aforesaid, and of its assets and liabilities, and I do find and determine, upon data satisfactory to me, that in order to provide the money necessary to pay the debts of said association, it is necessary now to enforce to the extent hereinafter mentioned, the individual liability of the shareholders of said association provided for by the twelfth section of the act of Congress entitled "An act to provide a national currency," approved June 3, 1864, and by sect. 5151 of the Revised Statutes of the United States, approved June 22, 1874, and to that end, and in pursuance of the powers vested in me by the said acts,

I have made, and hereby order and make, an assessment or
11 requisition upon the shareholders of said association or bank, and each and every one of them, equally and ratably, to the amount of one hundred per centum of the par value of the shares of the capital stock in the said association held or owned by them, respectively, at the time of its failure or suspension, and I direct Linus M. Price, receiver, heretofore appointed, of the said association, to take the necessary proceedings, by suit or otherwise, to enforce to that extent the said individual liability of the said shareholders.

In witness whereof I have hereto set my hand and caused my seal of office to be affixed to these presents, at the city of Washington, in the District of Columbia, this twenty-seventh day of November, A. D. 1882.

[L. S.] (Signed) JOHN JAY KNOX,
Comptroller of the Currency.

At the same term the following answer is filed:

Answer. (*Filed June* 8, 1885.)

Linus M. Price, defendant, reserving all right of exception and objection to said bill of complaint, for answer thereto, says: He admits that he is the receiver of the Pacific National Bank, and says that he was duly appointed and qualified as such on or about May 22, 1882, by the Comptroller of the Currency of the United States, and that by the order of said comptroller he instituted or caused to be instituted the action at law described in said bill, and a copy of the declaration in which is annexed to said bill, marked "A," and said suit is now pending and is being prosecuted, as in said bill is alleged. He says and avers that the facts set forth in said declaration, and as alleged therein, are true, and can be and will be proved to be true at the time of trial in said action when reached.

He denies that said complainant has ever satisfied and extinguished the liability alleged in said declaration, and says the contrary thereof is the truth, and that the amount claimed of said complainant in said action at law is legally due, should be paid, and can be recovered in the same.

He says that it is true that said bank suspended payment on or about Nov. 18, 1881, and that its capital stock had become then impaired by losses or otherwise; that Daniel Needham, a regular
12 bank examiner, was put temporarily in possession of its property and assets for the purpose of examining into its condition, and that he held possession of the same for some time for such purpose; but he says that said bank subsequently, to wit, on or about March 18, 1882, was permitted to and did open its doors and resume business again as a national banking association, and continued to do a banking business in that capacity continuously from that time until May 20, 1882, when it failed and became insolvent, and this defendant was appointed receiver as aforesaid, and took possession of its property and assets for the purpose of winding the same up according to law.

This defendant, further answering, says that after the said suspension, on Nov. 18, 1881, and before the said resumption, the shareholders, at a regular meeting duly called, resolved voluntarily to asses themselves and severally to pay an amount equal to the par value of their several shares of stock for the purpose of paying and making good the deficiency in the capital stock, which had become impaired by losses or otherwise; that the shareholders proceeded to do this accordingly, and that complainant, among others, as the holder or owner of sixty shares of said capital stock, paid to said bank $6,000, the amount of its said voluntary assessment, and for the purposes aforesaid.

As to each and every one of the allegations made and contained in said bill as to representations made to said complainant by said Needham, or any one else, as fully set forth in said bill, this defendant has no personal knowledge, information, or belief, so that he can neither admit nor deny the same, and he therefore leaves it for complainant

to prove each and every one of the same, if material, which he denies.

Certain it is that the said voluntary assessment was made and paid by said complainant and other stockholders for the purpose of making good the capital stock, which had become impaired, as aforesaid, and to pay the deficiency caused thereby, the same having been made and paid under the provisions of law in that behalf; that the same was entirely independent of and in no way connected with the assessment made by the Comptroller of the Currency and sought to be recovered in said action at law.

13 This defendant denies that the money collected and paid under said voluntary assessment was paid all to creditors who had claims against said bank at the time of its first suspension as aforesaid, or that the creditors among whom the same was distributed were or are the same and no others, for whose benefit this defendant now seeks to recover in said action at law; and says that, after said voluntary assessment was made and collected, in greater part at least, said bank resumed business, and was allowed to resume business by the said comptroller of currency, by the desire and request of the directors and stockholders thereof, who represented the bank to be then solvent, and with its impaired capital restored, that it resumed business on or about March 18, 1882, and continued to do banking business until May 20, 1882, and meanwhile contracted new debts and liabilities, which existed at the time of its final failure.

As to all other matters and things set forth in said bill of complaint and not hereinbefore specifically admitted or denied, this defendant denies the same, the same as if each statement and allegation was repeated herein and denied separately and specifically in its order.

This defendant says that he is entitled to be allowed to proceed with said action at law; that the same is brought by the direction, and is being prosecuted under the orders of the said Comptroller of the Currency; that he has a good right of action, as set forth in said declaration, which he proposes to prove and maintain.

He denies that complainant has set forth any cause or case calling for the interposition of a court of equity, or such as gives this court any jurisdiction in equity; he says that everything which complainant has set forth in said bill, if true, and constituting any defence, can be availed of by it in said action at law; all of which he is ready to maintain and prove. He, therefore, prays to be hence dismissed, and for his costs.

LINUS M. PRICE.

RANNEY & CLARK,
For Defendant.

14 At the same term the following replication is filed:

Replication. (*Filed June* 11, 1885.)

This repliant, saving and reserving to itself all and all manner of advantages of exception to the manifold insufficiencies of said

defendant's answer, for replication thereto, saith that he will aver and prove his said bill to be true, certain, and sufficient in the law to be answered unto; and that the answer of said defendant is uncertain, untrue, and insufficient to be replied unto by this repliant, without this, that any other matter or thing whatsoever in the said answer contained material or effectual in law to be replied unto, confessed, and avoided, traversed or denied, is true; all which matters and things this repliant is and will be ready to aver and prove as this honorable court shall direct, and humbly prays as in and by his said bill he hath already prayed.

By BENJAMIN N. JOHNSON,
His Attorney.

Final Decree and Claim of Appeal.

Publication of testimony having passed, this cause is set down for hearing and fully heard by the court, and after mature deliberation thereon had the following decree is entered:

Decree. (*Entered Sept.* 3, 1885.)

It is now, to wit, Sept. 3, 1885, ordered, adjudged, and decreed by the court that the bill of complaint in this cause be, and the same is hereby, dismissed with costs for the defendant, taxed at ——.

From this decree the complainant in open court claims an appeal to the Supreme Court of the United States, and gives good and sufficient security that he will prosecute his appeal to effect and answer all damages and costs if he fails to make his plea good.

A true record.

JOHN G. STETSON, *Clerk.*

15 The following is an agreed statement of facts used at the hearing of said cause before said circuit court pursuant to the agreement thereto annexed and printed on page 89 of this record:

Agreed Statement of Facts.

Statement of certain facts admitted by both parties.

The Pacific National Bank was organized and constituted a corporation as a national banking association, by virtue of the laws of the United States relating to national banks, on or about the tenth day of October, 1877, and located in Boston. Its articles of association, marked "Exhibit 1," and also its by-laws, marked "Exhibit 2," are hereto annexed.

The capital stock was fixed in said articles of association at $250,000, with the right to increase the same to a sum not exceeding $1,000,000. The capital of $250,000 was paid in cash, and said bank commenced and continued the banking business with that capital until the eighth day of November, 1879, when its capital was increased to $500,000, and the increase paid in in cash; and said bank continued its business until on or about the thirteenth day of September, A. D. 1881, when certain proceedings were had with reference to a further increase of the capital stock to $1,000,000. These proceedings were as follows: A vote was recorded upon the directors' minutes purporting to have passed at a meeting of the directors of said bank held in Boston, Sept. 13, 1881, increasing the capital stock to $1,000,000, a copy of which record of the meeting is hereunto annexed, marked "Exhibit 3."

The board of directors consisted at that time of twelve persons.

A notice of the passage of that vote was sent by the cashier of said bank to each stockholder, a copy of which is hereunto annexed, marked "Exhibit 4."

The whole amount of the increase of capital to $1,000,000, being $500,000 in addition to the old stock, was never taken or paid in, and no notice was ever transmitted to the Comptroller of the Currency that said additional $500,000 had been paid in, or that the whole amount of such proposed increase of the capital to
16 $1,000,000 had been paid in; and the comptroller never issued a certificate stating that said capital stock had been increased to the amount of $1,000,000, voted on said thirteenth day of September, 1881, as hereinbefore stated; nor did said comptroller ever certify his approval of such increase, or that it had been duly paid in as a part of the capital of said association, and no action was taken by him respecting any increase of stock from that of $500,000, except as hereinafter stated. The correspondence with the comptroller on the subject of the increase is given hereinafter.

Only $461,300 of said proposed increase of $500,000 was ever taken or paid in, all of which was paid in prior to Nov. 18, 1881, and was used in the general business of the bank with its other funds.

On the eighteenth day of November, 1881, said bank became unable to meet its debts and liabilities, suspended payment thereof,

failed to redeem its circulating notes, and thereupon closed its doors to business.

Daniel Needham, a duly appointed examiner of national banks, having made an examination of said bank, reported its condition to the Comptroller of the Currency, and was on said eighteenth day of November, 1881, placed in charge and possession of said bank and all its funds, assets, records, and books, by said comptroller. Said bank remained under the exclusive charge and in the possession of said Needham, with its doors closed to business, until on or about March 18, 1882, the directors thereof having in the meantime no possession or control over the assets of said bank, or the moneys received or paid out on account of the bank, except under the supervision, control, and authority of said examiner.

In a report made to the Comptroller of the Currency by Examiner Needham on or about the twenty-ninth day of November, 1881, he makes the following statement, viz:

In looking over the assets and liabilities I consider the bank and its shareholders in a most precarious condition, and unless Mr. Weeks can furnish the equivalent of at least $500,000 in current funds, and the stockholders pay in $1,000,000 more, I would not consider even the possibility of reorganization; * * * the stockholders must, in any event, for the time being, sink their entire capital. * * * My view of the situation, from the first, has been of
17 the most serious character. Much of the paper upon which reliance is placed to me looks doubtful, and I am yet to be convinced that the losses may not approximate $1,750,000, possibly more.

A copy of said report, except the schedule annexed to it, is annexed, marked "Exhibit 5."

Dec. 13, 1881, the comptroller sent a letter to Needham, a copy of which is hereunto annexed, marked "Exhibit 6."

Dec. 14, 1881, Needham replied by letter, a copy of which is hereunto annexed, marked "Exhibit 7."

A copy of the resolution passed by the directors and forwarded to the comptroller Dec. 14, 1881, and referred to in Needham's said letter of Dec. 14, 1881, is hereunto annexed, marked "Exhibit 8."

During the suspension of said bank, viz., Dec. 13, 1881, the directors of said bank passed the following vote, viz:

Voted, that whereas it was voted by this board, on the thirteenth day of September last, that the capital of this bank be increased to one million dollars, and that stockholders of this date have the right to take the new stock at par in equal amount to that held by them;

And whereas the stockholders were duly notified of said vote, and also that subscriptions to the new stock would be payable Oct. 1;

And whereas $461,300 of said new stock has been taken and paid in;

And whereas $38,700 thereof has not been taken and paid in:

Voted, that said $38,700 of said stock be, and is hereby, cancelled and deducted from said capital stock of $1,000,000, and that the paid-up capital stock of this association amounts to $961,300.

Voted, that the Comptroller of the Currency be notified that the

capital of this association has been increased in the sum of $461,300, and that the whole amount of said increase has been paid in as part of the capital of this association, and that he be requested to issue his certificate of said increase to this association according to law.

On the same day J. M. Pettengill, cashier of said bank, acting under direction of said directors and upon the suggestion of the comptroller that such a certificate should be sent to him, sent the following certificate to the Comptroller of the Currency, sworn to by the cashier, viz:

18 PACIFIC NATIONAL BANK OF BOSTON,
December 13, 1881.

To the Comptroller of the Currency, Washington, D, C.:

It is hereby certified that the capital stock of "The Pacific National Bank of Boston" has been increased pursuant to the articles of association of said bank in the sum of four hundred and sixty-one thousand three hundred dollars, all of which has been paid in, and that the paid-up capital stock of said bank now amounts to nine hundred [and] sixty-one thousand three hundred dollars.

[SEAL.] J. M. PETTENGILL, *Cashier.*

Which was accompanied by a copy of the foregoing vote of the directors passed Dec. 13, 1881; upon the receipt of which the comptroller, Dec. 16, 1881, sent to the directors of the bank the following certificate:

TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
WASHINGTON, *Dec.* 16, 1881.

Whereas satisfactory notice has been transmitted to the Comptroller of the Currency that the capital stock of "The Pacific National Bank of Boston, Mass.," has been increased in the sum of four hundred and sixty-one thousand three hundred dollars, in accordance with the provisions of its articles of association, and that the whole amount of such increase has been paid in:

Now, it is hereby certified that the capital stock of "The Pacific National Bank of Boston, Mass.," aforesaid has been increased as aforesaid in the sum of four hundred and sixty-one thousand three hundred dollars; that said increase of capital has been paid into said bank as a part of the capital stock thereof, and that the said increase of capital is approved by the Comptroller of the Currency.

In witness whereof I hereunto affix my official signature.

[SEAL.] JOHN J. KNOX,
Comptroller.

There was no vote of the stockholders of said association passed relating to increase or reduction of its capital stock.

On the same sixteenth day of December, 1881, the Comptroller of the Currency sent to the Pacific National Bank the following communication, viz:

19 WASHINGTON, *Dec.* 16, 1881.

The Pacific National Bank of Boston, Massachusetts:

The entire capital stock of the Pacific National Bank of Boston, Massachusetts, amounting to nine hundred and sixty-one thousand three hundred (961,300) dollars, having been lost, notice is hereby given to said bank, under the provisions of section 5205 of the Revised Statutes of the United States, to pay the deficiency in its capital stock by an assessment of one hundred (100) per cent. upon its shareholders *pro rata* for the amount of capital stock held by each, and that if such deficiency shall not be paid, and said bank shall refuse to go into liquidation, as provided by law, for three months after this notice shall have been received by it, a receiver may be appointed to close up the business of the association according to the provisions of section 5234 of the Revised Statutes of the United States.

In testimony whereof I have hereto subscribed my name and caused my seal of office to be affixed to these presents, at the Treasury Department, in the city of Washington and District of Columbia, this sixteenth day of December, A. D. 1881.

[SEAL.] JOHN JAY KNOX,
Comptroller of the Currency.

And at the same time forwarded a letter to Examiner Needham as follows, viz:

WASHINGTON, *Dec.* 16, 1881.

SIR: Your letter of the 14th inst. is received and contents noted. I have this day transmitted to the directors of the Pacific National Bank of Boston my certificate of approval of the increase in its capital stock, thus making the aggregate capital $961,300, upon which an assessment of 100 per cent. has just been ordered.

You will please remain in charge of the bank, either in person or by a representative (if the latter your clerk should be selected), until the full amount of the assessment shall have been paid in, reporting to me from time to time the progress made in this direction.

Very respectfully, JNO. J. KNOX,
Comptroller.

Daniel Needham, national bank examiner, Boston, Mass.

On Jan. 10, 1882, during the time of the suspension of said bank, the stockholders held their annual meeting, being the only
20 meeting of the stockholders held since Jan. 11, 1881, the notice of which was as follows:

Pacific National Bank.

The annual meeting of the stockholders of this bank for choice of directors and for any other business that may legally come before them will be held at their banking rooms, 105 Devonshire street, on Tuesday, Jan. 10, 1882, at 11 o'clock a. m.

J. M. PETTENGILL, *Cashier.*

Which was duly published in the Boston Daily Advertiser.

A copy of the record of said meeting is annexed, marked "Exhibit 9."

The total amount paid in to said directors by the stockholders on the assessment agreed upon at said meeting [of] Jan. 10, 1882, was $742,800, and was all paid in prior to May 20, 1882.

On said March 18, 1882, by permission of the Comptroller of the Currency, the directors took possession of the assets of said bank, opened its doors to business, and continued to do a general banking business, loaning money, receiving and paying deposits, and paying debts and expenses, until the twentieth day of May, 1882, but made no losses on new loans during that period. The bank was closed to business on said May 20, 1882, and the directors voted to go into liquidation; and thereupon Linus M. Price, the defendant, was appointed receiver thereof by the Comptroller of the Currency, and has ever since been in charge of said bank and its assets, books, papers, and records.

Record of directors' meeting, Nov. 19, 1881, is annexed, marked "Exhibit 10."

Letter, Needham to Knox, Nov. 26, 1881, is annexed, marked "Exhibit 11."

The report of Needham to the Comptroller, dated March 11, 1882, embracing Needham's letter to the directors and their reply, is annexed, marked "Exhibit 12."

A communication dated March 14, 1882, signed by W. J. Best and approved by Lewis Coleman and other directors, as per their indorsement thereon, addressed to the Comptroller was forwarded to him, a copy of which is annexed, marked "Exhibit 13."

21 The reports of Needham and directors in this statement state correctly the assets and liability of the bank at the time reported, but the plaintiff does not admit that the assets were of the value therein stated.

The amount due depositors March 18, 1882, was $4,101,365.91. The amount of deposits made between March 18, 1882, and May 20, 1882, was $2,338,617.21. The amount due depositors May 20, 1882, was $2,052,957.82, of which $62,693.40 is due to new depositors.

The receiver admits that he has made as thorough and careful an examination of the assets of the Pacific National Bank that came into his possession as was in his power; that he has realized in cash therefrom $185,266.84 prior to June 23, 1883, and that the best judgment he could form June 23, 1883, of the value of the remaining assets was $290,000; that the nominal value of the assets which came into his hands at the time he took possession of the bank was about $3,400,000; that the actual value of the same assets was about $500,000; that the amount of the liabilities of the bank at the time he took possession, on the twenty-third day of May, 1882, was $2,400,000; that since June 23, 1883, he has been able to realize but a very small amount from the balance of the assets, and his present judgment is that his estimate of $500,000 was greater than the actual value of the assets when he took possession of them.

The assets which were in the bank Nov. 18, 1881, came into the respondent's hands when he took possession of the bank, except such

as had been collected and applied to the payment of the debts and expenses of the bank, and such as have been surrendered on compromise in settlement of doubtful assets.

It is admitted, subject to objection as to its competency, that the following extracts are contained in the original bill in equity this respondent—Linus M. Price, receiver, *v.* Lewis Coleman *et al.*—filed in the circuit court of the United States, in the district of Massachusetts, Dec. 20, 1883, signed and sworn to by said Price, receiver, Dec. 20, 1883, the following being the oath administered to him before John G. Stetson, United States commissioner:

UNITED STATES OF AMERICA, } *ss:*
Massachusetts District, }

DEC. 20, 1883.

Personally appeared the above-named Linus M. Price and
22 makes oath that the foregoing bill of complaint is true, except as to those matters stated on information and belief, and as to those matters he believes them to be true.

Before me—

JOHN G. STETSON,
U. S. Commissioner.

—namely:

"On or about the tenth day of January, A. D. 1882, the bank made a voluntary assessment of its shareholders, and called upon them to pay in an assessment of one hundred per cent. on the par value of the stock, * * * and the sum of $742,800, or thereabouts, was paid in cash as the, or a part of the, said voluntary assessment, but the rest remained unpaid on the twenty-second day of May, A. D. 1882, and has never been paid to your orator since then; that the money collected upon said voluntary assessment was exhausted and paid out to creditors and in expenses before said May 22, A. D. 1882.

"That between the said time of resumption and the time when said receiver was appointed the said bank paid out in expenses and to creditors substantially all its available assets, including all the moneys collected on said assessment since it was made; * * * that the bank (on resumption) failed to secure again the confidence of the business community; that they found that they could do, and did in fact do, very little business in banking, the bank being compelled to have a rediscount at other banks of all paper discounted by it in order to put it in funds with which to meet present liabilities.

"On or about September 13, 1881, and long before that date—just how long your orator does not know—the surplus and undivided profits of said bank, then and for some time thereafter, nominally standing upon the books of said bank had been in fact exhausted, and the capital stock of the said bank had been impaired, and in fact wholly lost through losses by bad debts and by loans improvidently made by said bank; * * * that in fact the said bank at that time had lost its entire capital and was then insolvent;

* * * that said bank when it suspended or failed, Nov 18, 1881, was deeply and hopelessly insolvent; * * * that on Sept. 13, 1881, the directors voted an increase of the capital stock, the old stockholders having the right to take up the new stock at par; that the actual condition of the bank was misstated to or concealed from the stockholders and the Comptroller of the Currency, and thereby the stockholders were induced to take up the new stock at par, and to pay into the bank money for the same, to the amount of $461,300; * * * that the bank after obtaining the sum of $461,300 for said new stock continued in business till Nov. 18, 1881, when it failed; that at the time of the failure the capital of the bank had all been lost.

23 A printed copy of said original bill in equity, without the schedule annexed, together with all amendments thereto on file, may be referred to.

(The complainant requires section 2 of said original bill to be extended upon the record and transmitted to the Supreme Court, subject to the objections of the defendant, as stated below.

The defendant requires sections 19, 20, and 21 to be extended upon the record and transmitted to the Supreme Court, subject to the objections of the complainant; that no parts of said bill, except the extracts, are a part of the record in this case or competent evidence for the defendant.

Said sections 2, 19, 20, and 21 are printed on pages 90 to 101, inclusive, of this record as Exhibit 18.)

The receiver claims that the bill in equity and the extracts therefrom inserted herein are not competent as evidence, and consents to the same being inserted and referred to herein, subject to his objection, which is insisted upon.

It is admitted that an assessment was made by the comptroller of the currency, and demand of payment thereof duly made, as is stated in the declaration in the action at law, a copy of which is annexed to the bill.

It is agreed, subject to objection as to its competency as evidence, that Linus M. Price, the respondent, is plaintiff in the suit in equity—Linus M. Price, receiver, *v.* Lewis Coleman *et al.*—now pending in the circuit court of the United States in the district of Massachusetts, No. 1876, and that he was duly sworn as a witness in that case June 23, 1883, and gave the following testimony, being a part of his direct examination by his counsel:

Int. 75. Have you the books of the bank other than the directors' minutes, which you have produced, in your possession?

Ans. Yes, sir.

Int. 80. What do you find had become of the amount of money which had been collected of the shareholders on the assessment made prior to March 11, 1882—that is, the voluntary assessment made after the first failure, and before the attempted resumption?

Ans. Of the whole amount collected of the shareholders by voluntary assessment, $742,800, my examination shows, was used by the bank to pay its debts to creditors.

Creditors to the amount of $2,104,931.26 signed an agreement of extension, a copy of which is annexed marked "Exhibit 14," all signed before March 18, 1882.

Three creditors, after March 18, 1882, and before May 20, 1882, brought suits against the bank upon claims amounting in the aggregate to $55,000, in which assets were attached to the amount of $156,000, and these suits are still pending. To dissolve these attachments bonds were given by the bank, one March 24, 1882, in the penal sum of $25,000; one April 29, 1882, in the penal sum of $20,000; one March 31, 1882, in the penal sum of $30,000.
24 On each of these bonds Lewis Coleman and John Shepard were sureties. To indemnify them against liability as such assets of the bank were placed in their hands to the nominal value of $156,000, being a part of the $3,400,000 assets which came into the hands of the receiver, and are among those classed doubtful by the receiver.

It is agreed that there are new liabilities contracted subsequent to March 18, 1882, to an amount of $200,000 (including the $62,693.40 due new depositors), being indebtedness due to individual depositors and to banks, and balance due on notes rediscounted.

The sum of $643,700 only had been paid on the voluntary assessment voted at the meeting of Jan. 10, 1882, before March 18, 1882, and $99,100 was paid in addition thereto after that date, and before May 20, 1882. The rest of the one hundred per cent. voted at said meeting has never been paid.

Circulars, copies of which are annexed, marked respectively Exhibits 15, 16, 17, were issued and sent, Exhibit 15 to the depositors, Exhibit 16 to those who had not then paid the voluntary assessment aforesaid, and Exhibit 17 to creditors of the bank. Said exhibits are to be subject to all legal objections.

BENJAMIN N. JOHNSON,
For Certain Alleged Stockholders.
A. A. RANNEY, *For Receiver.*

25 *Exhibits Annexed to Agreed Statement of Facts.*

EXHIBIT 1.

Articles of Association.

For the purpose of organizing an association to carry on the business of banking under the sections of the Revised Statutes which authorize the organization of national banking associations, approved June 22d, 1874, and of subsequent acts in addition to or amendatory thereof, the undersigned subscribers for the stock of said association do enter into the following articles of association:

First. The name and title of this association shall be "The Pacific National Bank of Boston."

Second. The place where its banking house or office shall be located and its operations of discount and deposit carried on and its general business conducted shall be in the city of Boston, county of Suffolk, and State of Massachusetts.

Third. The board of directors shall consist of from five to twelve stockholders, and the following persons: Leonard Whitney, Jr., Gideon P. Brown, Marcellus P. Springer, John H. Sanborn, Edw'd C. Huxley, Moses B. Tower, Edwin Ray, Edwin M. Fowle, J. Henry Whitaker, Arthur Sewall, George C. Rand, and Abner I. Benyon are hereby appointed directors of this association, to hold their offices as such until the regular annual election takes place, pursuant to the fourth article of these articles of association, and until their successors are chosen and qualified.

Fourth. The regular annual meetings of the stockholders for the election of directors shall be held at the banking house of this association on the second Tuesday of January of each year; but if no election shall be held on that day, it may be held on any other day, according to the provisions of section 5149 of the Revised Statutes; and all elections shall be held according to such regulations as may be prescribed by the board of directors not inconsistent with
26 the aforesaid provisions of the said section 5149 of the Revised Statutes.

Fifth. The capital stock of this association shall be two hundred and fifty thousand dollars, to be divided into shares of one hundred dollars each; but the capital may be increased according to the provisions of section 5142 of the Revised Statutes to any sum not exceeding ten hundred thousand dollars; and in the case of the increase of capital of the association each stockholder shall have the privilege of subscribing for such number of shares of the proposed increase of the capital stock as he may be entitled to according to the number of shares owned by him before the stock is increased.

Sixth. The board of directors (a majority of whom shall be a quorum to do business) shall elect one of their number to be president of this association, who shall hold this office (unless he shall be disqualified or be sooner removed by a two-thirds vote of all the members of the board) for the term for which he was elected a director, and they shall have power to elect a vice-president, who shall also be a member of the board of directors, and to elect or appoint a cashier and such other officers and clerks as may be required to transact the business of the association, to fix the salaries to be paid to them, and continue them in office or dismiss them, as in the opinion of a majority of the board the interests of the association may demand. They shall have power to define the duties of the officers and clerks of the association, to require bonds from them, and to fix the penalty thereof; to regulate the manner in which elections of directors shall be held, and to appoint judges of the elections; to provide for an increase of the capital of the association, and to regulate the manner in which such increase shall be made, and generally to do and perform all the acts that it may be legal for a board of directors to do under the Revised Statutes aforesaid; and they shall also have the power to make all by-laws that it may be proper and convenient for them to make under said Revised Statutes for the general regulation of the business of the association and the management and administration of its affairs, which by-laws may

prohibit, if the directors shall so determine, the transfer of
27 stock owned by any stockholder who may be liable to this association, either as principal, debtor, or otherwise, without the consent of the board.

Seventh. This association shall continue for the period of twenty years from the date of the organization certificate, unless sooner dissolved by the act of its stockholders, owning at least two-thirds of its stock, who may dissolve and close up the association in such manner as they may deem to be for the interest of the stockholders and creditors of the association, but subject to the restrictions, requirements, and provisions of the Revised Statutes.

Eighth. These articles of the association may be changed or amended at any time by stockholders owning a majority of the stock of the association in any manner not inconsistent with the Revised Statutes, and the board of directors or any three stockholders may call a meeting of the stockholders for this purpose.

In witness whereof we have hereunto set our hands this tenth day of October, eighteen hundred and seventy-seven.

LEONARD WHITNEY, JR.
GIDEON P. BROWN.
MARCELLUS P. SPRINGER.
JOHN H. SANBORN.
EDWARD C. HUXLEY.
MOSES B. TOWER.
EDWIN RAY.
EDWIN M. FOWLE.
JAMES H. WHITAKER.
GEORGE C. RAND.
ARTHUR SEWALL.
ABNER I. BENYON.

EXHIBIT 2.

By-Laws of the Pacific National Bank.

Elections.

SECTION 1. The regular annual meeting of the stockholders of this bank for the election of directors shall be held at its banking house on the second Tuesday of January of each year between
28 the hours of 10 and 4. Fourteen days' notice of the time and object of said meeting shall be given by the cashier by publication in some newspaper published in Boston. At said meeting three judges of the election shall be appointed, who shall hold and conduct the same, and who shall, after the election has been held, certify under their hands to the cashier the result thereof and the names of the directors elect.

SEC. 2. The cashier, upon receiving the certificate of the judges of the election, as aforesaid, shall cause the same to be recorded upon the minute book of the bank, and shall notify the directors elect of their election and of the time at which to meet for the purpose of organizing the new board.

SEC. 3. If for any cause the annual election of directors should not be held on the day above named, the board shall order the election on some other day, of which special election notice shall be given, judges appointed, and returns made according to the requirements of sect's 1 and 2.

Officers.

SEC. 4. The officers of this bank shall be a president, cashier, teller, book-keeper, and such other officers as may be required for the prompt and orderly transaction of its business.

SEC. 5. The president shall hold his office, unless he shall resign or become disqualified, for the current year for which the board, of which he shall be a member, was elected. In case a vacancy shall occur in the board of directors during the current year it shall be filled by the board.

SEC. 6. The cashier and subordinate officers shall be appointed to hold their offices respectively during the pleasure of the board.

SEC. 7. The cashier shall be responsible for all moneys, funds, and valuables of the bank which may come into his possession, and shall give bonds, with security, to be approved by the board, in the penal sum of twenty thousand dollars ($20,000) conditioned for the faithful and honest discharge of his duties, and he will faithfully apply and account for all such moneys, funds, and valuables, and deliver the same, on proper demand, to the order of the
29 directors of the boards, or to the person or persons authorized to receive them.

SEC. 8. The teller shall be responsible for all such sums of money, property, and funds of every description as may from time to time come into his possession as teller, and shall give bonds, with satisfactory security, in the penalty of ten thousand dollars ($10,000) conditioned for the faithful and honest discharge of his duties as teller, and that he will faithfully appply, account for, and pay over all moneys, property, and funds of every description that may come into his hands by virtue of his office as teller to the order of the directors, or to such person or persons as may be authorized to demand and receive the same. The book-keeper and all other officers and clerks shall give bonds, with security, in such sums as the board may require.

Seal.

SEC. 9. The following is an impression of the seal adopted by the directors of this bank :

(IMPRESSION OF SEAL.)

Conveyance of real estate.

SEC. 10. All transfers and conveyances of real estate shall be made under the seal of the bank in accordance with the order of the board, and shall be signed by the president and cashier.

Increase of stock.

SEC. 11. Whenever an increase of stock shall be determined upon it shall be the duty of the board to notify all the stockholders of the same and cause a subscription to be opened for such increase, and each stockholder shall have the privilege of subscribing for such number of shares of new stock as he may be entitled to subscribe for, in proportion to his existing stock in the bank. If any stockholder shall fail to subscribe for the amount of stock to which he may be entitled within a reasonable time, which shall be stated in the notice, the directors may determine what disposition shall be made of the privilege of subscribing for the new stock.

30 Business of the bank.

SEC. 12. The bank shall be open for business at such hours as the directors shall determine of each day in the year excepting Sundays and legal holidays.

Minutes.

SEC. 13. The articles of association of this bank and the returns of the judges of the elections shall be recorded in the minute book and also the proceedings of the directors at all regular and special sessions. The minutes of all meetings shall be recorded by the cashier.

Transfers of stock.

SEC. 14. The stock of this bank shall be assignable only on the books of the bank, subject to the restrictions and provisions of the act, and a transfer book shall be kept, in which all assignments and transfers of stock shall be made.

SEC. 15. Certificates of stock signed by the president and cashier may be issued to stockholders, and the certificates shall state upon the face thereof that the stock is transferable only upon the books of the bank, and when stock is transferred the certificates thereof shall be returned and canceled from certificates issued.

Expenses.

SEC. 16. The current expenses shall be paid by the cashier, who shall cause the same to be entered upon a book kept for that purpose and open for inspection of the board at all times.

Contracts.

SEC. 17. All contracts, checks, drafts, [and] certificates of deposit shall be signed by the president or cashier.

Examination.

SEC. 18. There shall be appointed by the board every six months, and one week at least previous to the declaration of a dividend, a committee, whose duty it shall be to examine the affairs of the bank, to count its cash and compare its assets and liabilities with the

balances on the general ledger, for the purpose of ascer-
31 taining whether or not the books are correctly kept, and whether or not the bank is in a solvent condition and can properly pay a dividend. The result of said examination shall be reported to the board at the next regular meeting.

Meetings.

SEC. 19. The regular meetings of the board shall be held on such days as the directors may determine. Special meetings may be called by the president or cashier.

Quorums.

SEC. 20. A majority of the directors, including the president, shall be a quorum to do business.

SEC. 21. These by-laws may be changed or amended by a vote of two-thirds of the directors.

EXHIBIT 3.

TUESDAY, *Sept.* 13, 1881.

Present: Messrs. Benyon, Coleman, Dyer, Shepard, Cassidy, Whitaker, March, and Fowle.

Discounted notes per record 51, Nos. 139 to 168, were approved.

Voted that the capital of this bank be increased to one million dollars, and that stockholders of this date have the right to take the new stock at par in an equal amount to that now held by them.

Attest: J. M. PETTENGILL, *Cashier.*

EXHIBIT 4.

A. I. Benyon, president. J. M. Pettingill, cashier.

PACIFIC NATIONAL BANK, 105 DEVONSHIRE STREET,
BOSTON, *Sept.* 13, 1881.

At a meeting of the directors of this bank, held this day, it was "Voted that the capital of this bank be increased to one million dollars, and that stockholders of this date have the right to take the new stock at par in equal amounts to that now held by them."

32 Subscription to the new stock will be payable October 1st. Parties desiring to anticipate payment will be allowed interest to that date at four per cent. per annum.

J. M. PETTINGILL, *Cashier.*

EXHIBIT 5.

Report of Bank Examiner to Comptroller, Nov. 18, 1881.

No. of bank, 2373.

Examiner's report of the condition of the "Pacific National Bank," located at Boston, in the county of Suffolk, State of Massachusetts, at 6 o'clock p. m., Nov. 18, 1881.

A. J. Benyon, president. J. M. Pettengill, cashier.

Resources:

			Dollars.	Cts.
1.	Notes and bills discounted		4,186,300	27
2.	Overdrafts		26,539	55
3.	U. S. bonds to secure circulation		500,000	00
4.	U. S. bonds to secure deposits			
5.	U. bonds on hand			
6.	Other stocks, bonds, and mortgages. See general remarks.			
7.	Due from app'd reserve agents, viz		273,500	00
8.	Due from other national banks		151,700	43
9.	Due from State banks and bankers		4,322	84
10.	Banking house	$		
11.	Other real estate			
12.	Furniture and fixtures			
13.	Current expenses	$22,232 73		
14.	Taxes paid	289 62		
			22,522	55
15.	Premiums paid		8,593	75
	Interest		38,431	54
	16. Checks and other cash items		1,466,243	84
33	17. Exch's for C. H., includ'g gold ch'ks			
	18. Bills of other national banks		9,694	00
19.	Bills of state banks			
20.	Fractional currency (includi'g nickels)			
21.	Specie, viz:			
	Silver coin	$3,049 68		
	Gold coin			
	Gold treasury notes			
			3,049	68
22.	Legal-tender notes			
23.	U. S. cert's of dep. for legal tenders			
24.	5 p. c. red'n fund with Treas. U. S.		13,500	00
25.	Other funds with Treas. U. S.			
	Cash short		5,311	19
	Total		$6,709,709	44

Liabilities:

		Dollars.	Cts.
1. Capital stock paid in		$500,000	00
New " "		461,370	00
2. Surplus fund		74,142	82
3. Discount	$65,135 67		
4. Exchange			
5. Interest			
6. Premiums			
7. Profit and loss	7,080 05		
		72,215	72
8. Circulation received	$450,000 00		
On hand and returned			
		450,000	00
9. State bank circulation outstanding			
10. Dividends unpaid		435	00
11. Individual deposits, viz:			
Subject to check	$1,062,540 10		
Demand certif's	1,695,500 35		
Time certificates			
Certified checks			
Cashier's checks			
		2,758,140	00
12. United States deposits			
13. Deposits of U. S. disbursing officers			
14. Due to national banks		1,473,240	18
15. Due to State banks and bankers		137,695	18
16. Notes and bills rediscounted		685,589	61
17. Bills payable			
Cash over		96,879	48
Total		$6,709,709	44

Dividends and Surplus.

(Section 5109 of the Revised Statutes of the U. S.)

Date of last dividend, July 1, 1881; amount, $15,000; carried to surplus, $14,239.48.

Loans and Discounts.

On paper with two or more individual or firm names	$2,265,315 17
On single-name paper (one person or firm), without other security	301,518 35
On mortgages and other real estate security	252,659 17
On U. S. bonds payable on demand	
On other stocks, bonds, etc., payable on demand	1,366,807 58
All other loans	

Included in the above are—

Bad debts, as defined in section 5204 of the Revised Statutes of the U. S.	
Other suspended and over-due paper	371,095 87
Liabilities of directors (individual and firm) as payers	204,747 30

Loans exceeding the limit prescribed by section 5200 of the Revised Statutes of the U. S., viz:

N. M. Jewett, $100,000; Henry Waterman, $140,000; Geo. E. Horn, $100,000; Chicago, Burlington & Quincy R. R. bonds, $100,000; Katahdin railroad bonds, $99,500; T. C. Weeks, $192,850.

35 *General Remarks.*

Directors Pacific National Bank.

Leonard Whitney.	Geo. N. March.
E. M. Fowle.	Lewis Coleman.
Arthur Seward.	Edwin Ray.
John E. Cassidy.	J. H. Whitaker.
M. P. Springer.	John Shepard.
J. H. Sanborn.	A. I. Benyon.

In my last examination of this bank I called especial attention to its manner of making loans by the issuing of certificates of deposit, and suggested that, in a financial crisis, such a system might be attended with peril. I also called attention to the names of parties who were borrowers, many of which were new to me, and to the character of the collaterals, many of which I know nothing about.

During my examination, which continued through many days, at times entire days, and at times fragments of days, with examinations elsewhere carried on to a greater or less extent, I saw some of the directors, Mr. March and Mr. Whitney more than any others, but to all that I saw I expressed anxiety for the welfare of the bank, on account of its loans based on its credit, represented by certificates of deposit, and the peculiar character of many of its collaterals, about which I knew nothing, and urged the importance of a careful examination of the paper and securities of the bank and of the president's manner of doing business. The gentlemen that I saw all assured me that my urgently expressed requests should be complied with, and I felt comparatively easy, for I knew that my examination had been thorough, and, if the loans were good, the bank was in a healthy and prosperous condition.

The promises made, however, were never kept; and subsequently to the forwarding of my report to the comptroller, when I inquired of Mr. March, who is still one of the board of directors, if the examination by the directors had been made, he replied that it had not; that the directors met for the purpose of examination, and the president, being informed of the purpose of the meeting of the directors, "flew into a passion" and said, "If the directors cannot trust the thorough examination of Col. Needham I will resign." Other conversation between a member or members of the board and the president was had on this matter, and the examination was abandoned. I replied to Mr. March in language substantially as follows: The responsibility of the bank is upon the directors, and they can never shield themselves by placing it upon the president.

Had the examination of the directors been made the char-
36 acter of the collaterals and the system of doing business by the president would have unquestionably been changed, and the result would have been different.

In reading the reply of the president to the letter of the comptroller of Feb. 19th I find that he promised to comply with the express wishes of the comptroller, but it was in promise alone that the compliance was made. A more reckless management than had ever before been conceived almost immediately after began. The credit of the bank was loaned to a greater and greater extent, and the ambition of the president seemed to be not so much security as how large he could swell his loans with a pledge of the borrower that the certificates of deposit on the money loaned should not be drawn for a period of time after the loan was effected.

For instance, in September, 1881, he loaned one hundred thousand dollars to Geo. E. Horn, of New York, and took as the only security a blank check signed by John Steward. This check has only the signature, no date, no amount, and might have been given for one thing or another, or, as far as I could see, might have been stolen from a check book. We have written to New York to make inquiry, but as yet have no reply.

Another instance: Oct. 7th, 1881, N. M. Jewett borrowed the credit of this bank to the amount of eighty thousand dollars, and an acceptance of an item of real estate to the amount of twenty thousand dollars established an aggregate debit of one hundred thousand dollars. Where the item of real estate called twenty thousand came from I am as yet unable to ascertain. The bank now shows to represent this hundred thousand dollars a mortgage of real estate in Boston, and, so far as I can see, the security was taken for an original debt and is contrary to the statute.

One instance more will be enough to completely establish my charge of reckless management. In October, 1881, the bank loaned its credit to Henry Waterman for one hundred thousand dollars, and took for security $143,800 of the stock of the Southern Maryland railroad, which has no market value, and is, at the best, a very doubtful matter.

Now, at these times, the bank was absolutely poor, had no money whatever to loan, and the only possible advantage it could get was the temporary use of the means which its credit thus loaned represented, the parties promising not to draw on the credit for two or three months. It seems almost impossible to believe that these and many other equally hazardous transactions were entered into without some ulterior and hidden motive on the part of the president, but I have in vain failed to find one.

The certificates of deposit, in a large number of instances, represent the legitimate deposits of money; many of these draw interest. How large a number are certificates representing credit only I am
37 unable to determine, but evidenly this amount is of great magnitude. I enclose herewith paper marked "A," which will show the individual and total certificates issued.

In the same way, by the issuance of certificates under promise

that the money should not be drawn for a period of time, although no such expression is indicated on the certificate, the bank has carried on, within the last eight months, an enormous real-estate business, to wit:

Of the Home Savings Bank it has purchased real estate in Newton	10,000	
From the same bank, real estate in Boston	10,000	
From the same, another item of real estate in Boston	4,500	
From the same, French's wharf	22,759	17
From the Mercantile Savings Institution, real estate in Boston	40,000	

These are all original and illegal transactions. The deeds of the first-named items bear date in Oct., 1881; of the third named, Apr. 4th, 1881; of the fourth, Oct. 12th, 1881, and of the fifth the date is Jan. 17th, 1881. I said to the president, in the presence of the directors, no such property was in this bank on the 31st of January, 1881, and he admitted, in all their presence, that the trade was not consummated until February, 1881, and that the deed was dated back. Most of this property is subject to mortgages, which the bank must carry if it continues to hold, and the bank holds nothing but the equities in its assets.

Together with the directors I have carefully gone over the call loan (so called), the aggregate amount of which, in round numbers, is sixteen hundred thousand dollars; and in marking off what might be considered doubtful we have an aggregate of nearly one hundred thousand dollars, which would need time and care, and, if it came at all—and very likely a large portion of it might—would come very slowly.

This is independent of the one hundred thousand dollars of Horn to which I have heretofore alluded, and which has attached to it the blank check of John Steward.

In the discounts there appears the enormous aggregate of three hundred and seventy-one thousand and ninety-five $\frac{87}{100}$ "overdue."

This enormous amount has accumulated from about twenty thousand dollars at the time of my January examination. I herewith send a detailed statement, marked "B." Many of these items have collateral, and are undoubtedly collectible, but a large amount will very likely be slow of collection.

The bank has lodged at the Central National Bank of Boston collateral to secure loans amounting to	$238,502	55
At the Five Cents Savings Bank	107,000	
At Brown, Riley & Co.	10,000	
At the Howard National Bank	115,000	

38 *to secure loans*, which, with the exception of the loan at the Central National, have a margin which will undoubtedly be realized to apply to the unsecured liabilities of the bank.

At the Central National, independent of the indebtedness acknowledged by this bank, is a claim of two hundred and fifty thousand dollars, which this bank holds nothing to represent. This claim on

the part of the Central has the *prima facie* evidence of the checks of this bank on the Eliot. There is no doubt but that Mr. Weeks owes this amount to somebody; he admits that; but there is no evidence that he owes it to the Pacific. How the Central National comes in possession of the checks of the Pacific, if it does not owe it that amount, has been a matter of protracted investigation by me.

I have reached the conclusion that the checks were temporarily loaned and not returned, or that they were given for a consideration, and the representative of that consideration has been mislaid or destroyed.

The prospect of litigation to establish this question is very good.

"Other stocks, bonds, and mortgages" I called attention to in my preliminary report, of which I desire this to be the concluding part. That there would be a large loss on these items if a forced sale was made there can be no doubt.

All of the bank balances have been verified, with the exception of those noted on the sheet, which I herewith send, marked "C." I do not think the differences of unverified balances are of any considerable magnitude.

I herewith also send a sheet marked "D," which contains a full and complete list of the cash items as they appear in the bank. Many of these items are undoubtly collectible, and no excuse but reckless negligence on the part of the president and cashier can explain their accumulation. The Weeks checks, which constitute the great bulk of the list, to wit:

Aug. 9th, 1881.	Check on Broaway National Bank, drawn by Weeks to the order of Day	10,000
" 19, '81.	Drawn by Weeks to the order of Day	50,000
Sept. 3, '81.	" "	25,000
Nov. 15, '81.	" "	20,000
" " "	" "	25,000
" " "	" "	50,000
" " "	" "	50,000
" " "	Check of Nat'l Security Bank by Weeks to the order of Day	20,000
" " "	On North Nat. Bank by Weeks to the order of Day	75,000
" " "	On North Nat. Bank by Weeks to the order of Day	50,000
" 17, "	On North Nat. Bank by Weeks to the order of Day	877,500
	Aggregating	1,262,500

39 [are] unsecured. No difficulty was experienced in passing Weeks' checks through the clearing house until Aug. 9th, 1881, when ten thousand dollars came back and was carried in cash items. On Aug. 19th one of fifty thousand dollars came back and was placed in cash items. On the 15th day of October checks aggregating three hundred and fifteen thousand dollars came back, and this decided the temporary fate of the bank.

The check given on the seventeenth was a check in settlement, and according to the books of this bank represents the entire balance due from Weeks to this bank.

The transaction of taking checks of this bank on the Eliot National Bank, and paying in checks drawn on other national banks which went regularly through the clearing, had been prosecuted by Weeks to a greater or less extent for a year. During this long time the transactions were made to balance every night. The transactions began in a comparatively small and, so far as I can see, in an apparently legitimate*ly* way. From time to time they grew until the aggregate reached well into a million a day.

In the earlier history of these transactions, and for a long time afterwards, reaching into the early summer, many gentlemen believe that Mr. Weeks was perfectly solvent, and, had it not been for the crisis precipitated by the assassination of the President, his failure would not have occurred. Be this as it might there can be no question as to the illegitimacy of these transactions, out of which the Pacific National Bank never realized one single dollar. No motive, except to do an immense business, can be assigned for the strange conduct in allowing these transactions on the part of the president.

In looking over the assets and liabilities I consider the bank and its shareholders in a most precarious condition, and unless Mr. Weeks can furnish the equivalent of at least five hundred thousand dollars in current funds, and the stockholders pay in one million more, I would not consider even the possibility of reorganization.

I come now to the final consideration of this terrible catastrophe—terrible to the innocent depositors, who may have the inconvenience of long delay and possible loss; terrible to the shareholders, who must in any event, for the time being, sink their entire capital; terrible for the directors, who had timely warning from the examiner and from the honorable Comptroller of the Currency with regard to the illegal and careless manner in which the president was conducting the business of the bank, and terrible for the business interests of society, which receives the shock of violated trust so detrimental to all its interests.

Bringing the first great fault to the door of the directors, who, when notice was given, should have persisted in a most rigid examination, I come to the cashier. In his custody were the funds of the bank. To him was submitted every item intended for the clearing. He was a man of long experience. He was taken from a neighboring bank, and the directors were influenced in his selection by his reputation of a careful and conservative man. No one knew better than he that clearing-house checks always represented cash. Out of his hands every day passed the checks that were given to Weeks, and it was for him to know whether or not he received an equivalent.

Could it be possible that for months a business of drawing and balancing checks on the part of Mr. Weeks could have been continued from day to day and a man of long and varied experience like the cashier of this bank have no suspicion? If it is possible to imagine that for the nine months of increasing business of this character the

cashier had no suspicion on the ninth day of August, 1881, when the first check of Mr. Weeks' of ten thousand dollars came back, there could be excuse no longer, but even then no communication was made to a single member of the board of directors, and the drawing of checks and the acceptance of Weeks' checks as an equivalent went on.

On the 19th of August a check of $50,000 came back, but still not a word from the cashier, and on the third of September another of $25,000, but yet not a word, although these returned and dishonored checks were entered day after day in "cash items" by the teller. The transactions still continued without one word of disclosure being made to the directors from this trusted servant, who was receiving a large salary to guard the interests of the bank.

Confidence must begin somewhere; without confidence there can be no credit; without credit there can be no bank; without the bank there can be no extended business. The directors had the right to confide in their cashier, certainly to the extent that he would not accept in exchange for the funds of the bank in the form of a clearing-house check anything that was not the equivalent of money. The cashier cannot hide behind the president. He is an independent officer of the bank, and his duties are well and clearly defined. His trust has been violated, and the immediate cause of this disaster is chargeable to him.

The president of this bank must be next considered. He was made president of this bank when the fiery tongue of scandal was pursuing him with relentless ardor. How has he returned the confidence so freely given? No one knew better than he what was and what was not legitimate banking. He knew, for the Comptroller of the Currency had told him, that loaning the credit of the bank was illegitimate and perilous business. He knew that making loans through the medium of certificates of deposit was more dangerous than making loans on legitimate deposits. He knew the transactions of buying real estate, loaning on real estate, loaning in excess of the limit, loaning by the hundreds of thousands of dollars on questionable security and in a careless manner were all blameworthy and reprehensible. He knew that securing the deposit of a life insurance company by taking out life policies on himself and son
41 and charging the premium of $1,041.05 to the bank was unparalleled in the history of banking. He knew that buying old stone taken as debris from city houses and issuing certificates amounting to eleven thousand dollars therefor was monstrous and reckless. He knew that continuing to prosecute his business in a manner condemned by the comptroller, and without asking the directors to share with him in the responsibility, was high-handed and unjustifiable. There is no excuse for these two high, trusted, executive officers of the bank.

The matter is still under advisement whether the stockholders will make good the losses or the bank go into the hands of a receiver.

The principal part of the "cash over" in the statement forwarded as a preliminary report belonged in the loan account. The principal

part of the discrepancy in the loan account was the result of our hurried manner in taking it, and is now mostly explained.

The real estate all appears in the call loans, and I have treated it under the head of "on mortgages and other real estate security."

The classification of the loan is the best I could give in the present condition of affairs, time collateral loans being treated with the two-named paper.

In "other suspended and overdue" I have classified all the overdue and bad debts, finding it difficult to determine how much of this amount should be treated as "bad debts." My own judgment is that a very considerable amount of the "other suspended and overdue" should strictly be treated that way.

The question has been raised as to whether the new stock is liable to assessment under the law, the increased capital not being all paid in. Can you give me information on this point, as it is very important in the reorganization?

Of illegal and illegitimate transactions not mentioned elsewhere in this report may be stated the following:

An agreement with Taunton Savings Bank to deliver a deed of fifteen houses on Madison Square, Boston	----	7,500
Four bonds of Nantasket Co.	4,000	
One bond Pleasant Valley & Utah	1,000	
Taken of stockholder to represent balance due on new stock of the bank and standing in the assets as	----	5,000
100 shares Pacific National Bank stock purchased for a customer, but no agreement by which the customer can be held	----	10,400
Three notes of W. B. Worcester, 6,000	----	18,000

Worcester being a man whose responsibility and place of business are both unknown. In some form or other I have alluded to the most striking features of the loan account. In summing up the situtation I have to say that on the 26th instant I made a statement of the condition of the bank to the directors. This statement I pre-
42 ferred to put in writing, but as they objected to that, fearing it might reach the public and thus prejudice their case, I submitted it without manuscript. On the 29th, at the request of the directors, I made a statement to some forty gentlemen, composed of the directors and the largest stockholders of the bank, who had been invited in for consultation. This statement was also, at the request of the directors, made without manuscript, although, being made to a promiscuous body, it was much less complete than my first statement to the bank. At the adjournment of this meeting I was waited upon by a committee and presented with a letter, of which the following is a copy: Boston, Nov. 29th, 1881. Col. Daniel Needham, bank examiner. Dear Sir: At a meeting of the stockholders and directors of the Pacific National Bank held this day at the office of the association the following resolutions were adopted unanimously: Resolved, That the thanks of the directors, stockholders, and depositors of the Pacific National Bank are due, and are hereby ten-

dered, to Col. Daniel Needham for his earnest efforts to ascertain the condition of the bank, as well as for the valuable suggestions he has made looking to its reorganization.—Signed, Lewis Coleman, chairman. I take the liberty to incorporate this communication into this report. The names of the directors, which will be found under the head of general remarks, are among the most honored names of Boston's business men, leaving out the name of A. I. Benyon. My view of the situation from the first has been of the most serious character. Much of the paper upon which reliance is placed to me looks doubtful, and I am yet to be convinced that the losses may not approximate seventeen hundred and fifty thousand dollars—possibly more. Although it must be admitted that the dishonored checks of Weeks precipitated this disaster, it is to me equally clear that the enormous issue of certificates as a matter of credit on illegal and questionable loans would have brought ruin in the end, and that the end could not be far off. In conclusion I can only say I have failed to find an explanation of these strange transactions, and, if not based upon criminality, must be explained by idiocy or insanity. I shall advise the Department immediately of the conclusion reached by directors.

DANIEL NEEDHAM, *Examiner.*

To the Comptroller of the Currency, Washington, D. C.

43 EXHIBIT 6.

TREASURY DEPATMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
WASHINGTON, *December* 13, 1881.

SIR: I had a conference with the committee who arrived here yesterday in reference to the affairs of the Pacific National Bank.

It is proposed to make an assessment for the full amount of the stock of the bank, and it is believed that when this is paid up the capital stock will be unimpaired and the bank in possession of abundant funds to meet all their obligations.

I request that you will, immediately on receipt of this letter, write me in reference to the present condition and prospects of the bank, and if you see any reason to doubt its ability to resume business, as proved.

Very respectfully, JNO. JAY KNOX,
Comptroller.

Daniel Needham, Esq., nat. bank examiner, 45 Milk street, Boston, Mass.

EXHIBIT 7.

OFFICE DANIEL NEEDHAM, NATIONAL BANK EXAMINER,
45 MILK STREET, BOSTON, *Dec. 14th*, 1881.

SIR: Your letter of the 13th is at hand.

In reply to your inquiry I will say: If Weeks will pay in on his unsecured loans five hundred thousand dollars, as has been proposed, and the arrangement with the Central National Bank with reference

to the adjustment of the disputed claim is perfected and an obligation is given by the directors guaranteeing a certain amount of doubtful paper, which amount is stipulated in the resolution, a copy of which, after its passage, will be immediately forwarded to you by the board, then an assessment of one hundred per centum on the present capital of the bank, as it now stands on the books, would, in my judgment, make the bank solvent.

44 Many of the directors have the full confidence of the public, and, under the conditions I have specified above, I should have no doubt of the full ability of the bank to resume.

In speaking of the present capital upon which assessment must be made, I mean the old $500,000, together with the new $461,300, making subject to assessment $961,300. In my judgment it is most important that the bank should be revived if possible.

If it falls, the Central National must also fall, and the widespread injury could not be estimated.

I am gratified to say that the condition of the bank has been strengthened since it has been in my charge by the securing of some questionable debts, and careful management will undoubtedly save to the bank a large amount which would otherwise be lost.

If the bank goes on upon the plan now laid out, and which will be presented to you for approval within two or three days, and which embodies the features noted in this letter, then there must be a delay of some weeks, and I would like your approval to place my clerk in charge during more or less of the temporary absence I may make in continuing my work of examinations elsewhere.

Very respectfully, DANIEL NEEDHAM,
Nat. Bank Examiner.

To Hon. John J. Knox, Comptroller of the Currency, Washington, D. C.

EXHIBIT 8.

Resolutions of Board of Directors, Dec. 14, 1881.

BOSTON, *Dec.* 14*th*, 1881.

At a meeting of the board of directors of the Pacific National Bank, held this day at the banking-house, the following preamble and resolutions were unanimously adopted:

Whereas on the 18th day of November, 1881, it was discovered that the Pacific National Bank was unable to pay on demand its liabilities to depositors and creditors;

And whereas since the date named the directors, assisted
45 by Col. Daniel Needham, national bank examiner, and Wm. J. Best, have been engaged in an investigation to determine the liabilities and assets of said bank;

And whereas said investivation enables said directors to fix the apparent liabilities at $6,774,633.60 and the assets at the par or nominal value of $6,782,558.53, showing an apparent excess of assets over liabilities to the amount of $7,924.93;

And whereas said assets are not now worth their par or nominal value, but would probably realize in cash, with judicious management, $5,308,895.34, which would leave an apparent deficiency of $1,465,738.26;

And whereas, in the adjustment of the account of the Pacific National Bank with the Central National Bank, the latter has agreed, in the event of the reorganization of the Pacific National Bank, to yield of its alleged claims against the former the sum of $315,400, and has also agreed to return to the Pacific National Bank good assets of said bank now held by said Central National Bank as collateral to the amount of $55,252.55, thereby reducing the deficiency of the Pacific National Bank to $1,095,085.71;

And whereas, with such knowledge of the affairs of said Pacific National Bank as the directors have been able to obtain by diligent investigation and inquiry, they are of opinion that it should immediately be reorganized, in order fully to protect all of the interests involved;

And whereas the larger part of the assets of said bank consists of notes and bills discounted, of which a considerable portion could not now be converted into money without sacrificing the interests of the creditors of the association;

And whereas T. C. Weeks has returned to this bank $150,000 of its checks, and has agreed to return 350,000 of additional checks in a few days: Therefore,

Resolved, That, in the opinion of the directors of said bank, the interests of both creditors and stockholders require its early reorganization.

Resolved, That the Comptroller of the Currency be requested to authorize the stockholders of the association to levy an assessment of 100% upon the par value of the capital stock now paid in, viz., $961,300, upon condition that said Weeks shall return to this bank $350,000 additional checks, as agreed, before said assessment shall be made.

Resolved, That, in the event said bank shall be reorganized and shall resume business with the approval of the Comptroller of the Currency, the board of directors will, and they do hereby, guarantee the payment of $133,785.71 out of the assets by them classed as "doubtful" and "bad," aggregating the sum of $1,473,663.19, and now treated by said directors as possessing no present money value,

46 the condition of said guarantee being that it will cease and determine so soon and so far as the said sum of $133,785.71 shall have been realized from said "doubtful" and "bad" assets, and said directors shall be held only for so much of said sum of $133,785.71 as may not be realized from said "doubtful" and "bad" assets.

Resolved, That, in the opinion of said directors, said assessment upon the stock of said association and the said guarantee of $133,785.71 will place said association upon a sound financial basis; nevertheless, as time will be required to properly convert the assets of the association, which consist chiefly of notes and bills discounted, it is to the interest of the depositors and creditors to agree to a reason-

able extension of time for the payment of their several claims. Recognizing this fact the Central National Bank has agreed to give an extension of one year from Jan. 1, 1882, on the whole amount of its claim as compromised, viz., $500,000, at 4% per annum.

Resolved, That a copy of these resolutions be forwarded to the Comptroller of the Currency and his approval asked of the scheme of reorganization herein set forth, and that he grant the directors until Jan. 15th, 1882, to perfect said scheme of reorganization.

A true copy.

(Signed) EDWIN W. FOWLE,
Sec'y pro tem.

EXHIBIT 9.

Stockholders' Meeting.

TUESDAY, *Jan.* 10, 1882—11 a. m.

The annual meeting of the stockholders of the Pacific National Bank was held at 11 o'clock this forenoon at the bank building on Devonshire street, about one hundred and fifty gentlemen being present. The meeting was called to order by the new president, Lewis Coleman, and J. H. Whittaker, of the board of directors, was chosen secretary. The records of the last meeting were read and approved.

President Coleman briefly alluded to the suspension of the bank Nov. 18, and to the circumstances which led to placing the books and accounts of the bank in the hands of Col. Needham for examination. He then introduced the bank examiner, who presented the following report:

Col. Needham's report.

In accordance with the unanimous request of the directors of the Pacific National Bank I submit to you, somewhat in detail, the present condition of the bank and the history of the year which immediately precedes it.

47 On the 31st day of January last I came to the bank to make an official examination. I was welcomed by the president, and immediately commenced my work, taking the condition of the bank at the close of business that day. I continued the examination from day to day and time to time until its final conclusion—seeing, as I can now recall, only two of the directors besides the president, with whom I held conversation. To these gentlemen I spoke very freely of the character of the loans and the matter of issuing certificates, and urged the importance of a careful examination. In my report to the Government I called attention to what I considered defects and bad management, and, as a result of my report, the comptroller forwarded to the directors a communication, of which the following is a copy:

WASHINGTON, *Feb.* 19, 1881.

GENTLEMEN: The report of an examination of your bank, made on the 31st ult., has been received.

The report shows that the amount of funds in the bank available for reserve at the date of the examination was $196,385.17 less than the amount required by law. The deficiency is enormously large, and has, perhaps, been caused in part by the officers of the association considering and treating as available for reserve clearing-house gold certificates, which it holds to the amount of $195,000. The law, however (sec. 5192 United States Revised Statutes), provides that clearing-house certificates, representing specie or lawful money, specially deposited for the purpose of any clearing-house association, shall also be deemed to be lawful money in the possession of any association belonging to such clearing-house association, holding and owning such certificates within the preceding section; and, as your bank does not belong to the clearing-house association, the certificates referred to cannot be considered or counted as reserve. The examiner states that it would undoubtedly be for—

The interests of the other Boston banks,

as, of course, it will be for your own, to have your association admitted to the clearing-house, and it is hoped that some arrangement by which this can be accomplished will be devised and carried out. In the meantime, however, I must notify you that the reserve of the bank must be at once made good and kept so hereafter, paying due regard to the fact that the certificates above referred to cannot be counted as any portion of the lawful money reserve of the association.

The liability of —— to the bank for money borrowed is reported as amounting to ——, and, if so, is excessive, contrary to law. Sec. 5200 United States Revised Statutes provides that the total liabilities to a national bank of any person, company, corporation, 48 or firm for money borrowed shall at no time exceed one-tenth part of its actual paid-in capital stock, and to this limit all accommodations granted by the bank should be confined. The indebtedness, if still excessive, must, without uunnecessary delay, be reduced to at least the prescribed limit. It is stated in the report that ——, who is indorser upon the paper above mentioned, and also upon paper of ——, has himself borrowed —— from the bank. The examiner says that upon calling attention to the considerable amount loaned to parties, involving to a great extent the same interest, he was assured that the debt would be paid during the present month. I think that the accommodations of the bank should be more widely distributed.

The bank is reported to be liable to the amount of $898,812.99 upon demand certificates of deposit, of which certificates amounting to $503,500 are said to draw interest at the rate *at* from three to six per cent. With reference to the remainder of the certificates, which amount to $395,312.99, the examiner says: "Money is borrowed of —— by a pledge of discounted paper as collateral, and the said bank holds demand certificates to represent the amount. Loans are sometimes made by this

Issuing of demand certificates,

and parties securing loans in this way indorsed the certificates and pledge them as collateral, or, stipulating a time of payment for them, have them regularly discounted and thus raise money indirectly from other parties and banks. Of course such certificates do not bear interest, but the bank loans its credit, and in this way a very considerable amount of the demand certificates has been issued. I do not think this system could be classified as conservative banking. * * * In a time of general business embarrassment such a system of extended loaning might be attended with peril. There is no better established principle of law than that corporations can only lawfully exercise such powers as are specifically conferr d upon them by their charters and such powers as are necessarily incidental to those granted. It has been decided by the courts that the incidental powers granted to national banks are not the incidental powers given generally to all banking institutions, but only such as are incidental to banks allowed to do such things as are prescribed by the statute, and that while a national bank has power to lend money upon personal security it has no power or authority to lend its credit.

See the case of J. & W. Seligman & Co. *v.* Charlottesville National Bank [and] of Johnston Bros. & Co. *v.* same bank, tried before the United States circuit court for the western district of Virginia during the fall term of 1878. The decision of the court will be found in the December, 1879, number of the American Bankers' Magazine,
49 pages 465–469. The practice described by the examiner is irregular, and you are notified that it

Must be at once discontinued.

The amount of rediscounted paper reported—$416,312.57—is very large, and shows that the business of the association is too much extended. While the rights of national banks in emergencies to obtain money by the rediscount of paper cannot be denied, they should not habitually do so, and it is hoped that the operations of your association will hereafter be confined to the use of the means legitimately at its command.

In this connection attention is called to the provisions of sec. 5202 United States Revised States.

The examiner states that he criticised a large loan to ——, being fully satisfied that the security thereof, merchandise, could not be held under the paper in possession of the bank, and that he was assured that the matter would receive immediate attention. It should be properly arranged if it has not been before attended to.

Please let me hear fully from you in reply to this letter at an early day, and inform me what action will be taken with reference to the various matters herein brought to your notice.

Very respectfully,

(Signed) JNO. J. KNOX,
Comptroller.

To the directors of the Pacific National Bank, Boston, Mass.

This communication, together with the answer, was evidently read in whole or in part to the members of the board who were present at a subsequent meeting, Feb. 25. The following is a copy of the letter sent by the president

In reply:

FEB. 24, 1881.

Hon. John Jay Knox, Comptroller of the Currency, Washington, D. C.

SIR: Your letter of the 19th inst., with comments on report of Examiner Needham, is received and has our attention. We beg to reply to them *seriatim*. The clearing-house gold certificates reported as counted by us in reserve have been, for reasons disconnected with the permission or requirement of the law, largely converted into coin, and the balance will be. We were aware that the clause of the law underscored by you would, technically, not permit us to hold such a reserve, but have felt that we were complying with the spirit of the law, and so exempt from censure. We daily receive and pay large amounts in our dealings with other banks, and so have adopted these certificates for the same reason that the other banks did, to save the risk and inconvenience incident to an almost continuous handling of coin. We will be excused for suggesting, also, as our exclusion from the clearing-house association is purely the result of the malevolence of two or three men, who are, for the time being, in an official position, and in opposition to the wish of a considerable majority of that body, that it is unjust to us that a technical construction of the law should be made to bear upon us in a way never contemplated by the framers of the law. —— loans have been materially reduced, and before this reaches you will be still more so, and in a short time will be entirely paid.

The amount to the credit of certificates of deposit is made up mostly of amounts deposited by individuals, firms, and corporations, who, having no regular account with us, preferred to receive our certificates in place of a pass-book showing the transaction. The amount held by the * * * was so placed by mutual agreement between * * * and the writer, believing this to be

A more legitimate way

than that usually adopted, of one bank drawing upon another, and so making it appear as a bank deposit, which it really was not. We were confirmed in the propriety of this mode by the fact that it is the one in vogue by the New York banks.

In regard to "loaning our credit," we have to say that never in a single instance has any stipulation been made by us in regard to any certificate issued to any party. They are issued in regular form, and are payable at any moment on presentation. When in any case such certificates have been held it has been by those whose account would not entitle them to loans, and they have taken this mode of making their business of value to the bank.

In regard to rediscounts our position is this: We have a large and active list of depositors, and have, almost continually, more paper offered than we can do. This is well known to quite a number of our banks, who, in consequence of an inactive list of depositors, have more money than paper, and solicit of us a transfer of some of our loan. In a large majority of instances "rediscounts" are not of our seeking. In an experience of thirty years it has seemed to the writer that this is a more conservative method than the one largely in vogue among banks in this city, of borrowing daily, and in some cases oftener, such sums as their neighbors may have to spare for the moment, with a liability to be called on for repayment at a moment's notice. * * * In regard to loan of ——, fresh merchandise has been substituted for that withdrawn, and the loan, which would be considered good without any collateral, is now complete.

51 Permit us to add that in many years of banking experience in this city our views in regard to modes and methods have been fully commented upon, and in consequence have received in some cases ridicule and in many more commendation for our conservatism, which goes to show, to our mind, that conservatism is a relative term, and that which would be considered rashness in some cases and under some circumstances would, under a different condition, be the extreme of conservatism.

I remain, your ob't servant,

(Signed) A. I. BENYON, *Pres't.*

I am assured that this communication, which was interpreted by the members of the board who heard it as a promise that all the evils complained of

Should be at once rectified,

was considered sufficient, and, with a confidence in the light of present developments not easily understood, was accepted as answering all necessary action on the part of the directors, although a proposition to examine the bank by one or more of the directors was subsequently made, which, for reasons at the time given by the president, was abandoned.

On the evening of the 18th of November, after the suspension of the bank, I came into it. I found the bank in great disorder. The books had not been made up for nearly a month, and my first labor was directed to the making up of the books and ascertaining a statement of the condition of the bank from the books.

Having secured this I commenced a careful examination of the assets. In this from the first I have had the hearty and earnest cooperation of the board of directors, many of them, although they have a large business of their own, having devoted their entire time to aid in saving and securing every possible asset.

The cause of the disaster to the bank is easily discovered. It comes from and is alone based upon loaning its credit in various ways and to a remarkable extent.

Its credit has been loaned in five ways, two of which are not unusual.

1st. There have been large rediscounts of paper. The rediscounts on the 31st of January, 1881, at the time of my last examination previous to the suspension, amounted to $416,343.57; at the time of suspension, Nov. 18, 1881, they amounted to $685,579.61, an increase in the nine months and a half of $269,246.04. In rediscounting paper the bank is supposed to secure one great advantage, and that is interest to an extent on a certain amount of funds which it

52 Possesses only in its credit.

For instance, if paper was discounted at eight per centum and rediscounted at six per centum the bank would be the gainer on the line of rediscounts outstanding Nov. 18, 1881, of $13.711. But it must be remembered that the bank takes a liability on the payment of every dollar of its rediscounts.

It is generally inferred that the rediscounted paper of any bank is among the best and most legitimate business paper, and the indorsement of the bank rediscounting secures it to such an extent that it will pass current at rates of interest much below the best market rates of money on ordinary business paper.

This temptation has unquestionably been one which has resulted in very considerable disaster, a large amount of rediscounted paper already having gone to protest.

The second form in which the credit of the bank has been loaned has been in borrowing money on discounted paper and guaranteeing the paper. This amount involves the same risk to the bank as the rediscounts, and the gain to the bank by this process is in the same way—loaning at a high or fair rate of interest and borrowing at a reduced rate by guaranteeing the payment of the paper. The amount guaranteed in this way outstanding Nov. 18, 1881, was $200,000.

A third process of loaning the credit of the bank has been to arrange, in case a loan is allowed, that a certain amount shall remain on deposit for a greater or less length of time, thus securing for the bank the same amount of earnings the bank would secure if it had ready money to loan to its customers. This is not a novel feature in banking, but when practised to an abnormal extent involves risks which, as in the case of the bank, is

An item of more or less peril.

A fourth process of loaning the credit of the bank has been by the issuing of certificates of deposit. On the 31st of January, 1881, the certificates outstanding amounted to $931,975.17, and on the 18th of November, when the bank stopped, they aggregated $1,698,-916.53. The advantages supposed to be secured by the bank by this process were very great.

Parties taking certificates, with the personal promise to hold them a length of time, could unquestionably get loans, when they would

have had no chance of securing loans if the money had been paid directly from the cash. The temptation to make loans by thus securing as available cash the credit of the bank on its certificate was too great to be resisted, and although such loans, had they been good, would have resulted in enormous profits, as they stand in the light to-day, they promised large amounts of poorly-secured paper,
53 upon which greater losses may safely be calculated. Enormous amounts were loaned by this process in the few months immediately preceding the suspension of the bank, and loans of $100,000 at a time, on most questionable, if not absolutely illegal, collateral, and in violation of law, were made in several instances, and this, too, when the bank had no funds to loan.

The fifth process of loaning on credit of the bank, and which brought about a sudden ruin, was the issuing of checks on its Boston and New York correspondents without receiving an equivalent in bankable funds. The practice undoubtedly grew from a small beginning, but

Culminated in an enormous aggregate.

The process was this: The party most largely in interest would send in a memorandum in the morning of such checks on New York or Boston as might be needed for his day's business; then checks would be drawn by the cashier of the Pacific National, under the general direction of the president, and, after being regularly entered, would be given to the party in waiting in exchange for his simple memorandum. These checks would frequently amount to hundreds of thousands of dollars, and how it was that the cashier could pursue this line of illegitimate business for weeks and months and have no suspicion that there was something wrong it is impossible for me to determine. But such, he assures me, was the fact.

During the entire business hours of the day nothing but an unsigned memorandum represented the hundreds of thousands of dollars which this bank in the morning of each day drew on its correspondents. At the close of business the party receiving this accommodation brought to the bank clearing-house funds to cancel the morning obligations. These New York and Boston funds passed regularly through the clearing house until Aug. 9, 1881, at which time a check of $10,000 was held back. Up to this time it would have been difficult, if not impossible, for the directors to discover any illegitimacy in this proceeding. Clearing-house checks are always supposed to be cash, and up to the ninth day of August, 1881, every clearing-house check was regularly and promptly paid, so that taking the cash at night or in the morning would not necessarily have revealed any abnormal condition. Aug. 19 a check of $50,000 was held back, and on Sept. 3 one of $25,000. Out of this management, although the bank was in daily peril by its thus loaning its credit and its funds, the bank never realized one single dollar of advantage.

When questioned with regard to the matter the only reply which could be obtained was it done

To swell the volume of business.

Confidence must begin somewhere. In addition to that re-
54 posed in the president, the directors had a cashier taken from a neighboring bank, of good repute among those who had known him long and well. Upon him they relied for the management of the cash, and to him all these facts should have been known; but he, regarding the president as the supreme power, did not stop to criticise any act which he directed, and, therefore, in his mind no suspicion of illegitimacy entered. On the eighteenth day of November, when the final crash came, the sum total of these checks against which there was only the name of one man, aggregated $1,262,500.

Thus, in brief, has been recited the history and culmination of this sad catastrophe. The solution of these strange acts can find thus far no sufficient explanation. This is not the time or place for charges or criminations. The disaster is upon us, and the business of the hour is to meet it. There are but two ways: one is to allow the bank to pass into the hands of a receiver, in which case one hundred per centum will unquestionably be demanded of the stockholders to meet the deficit; the other is to vote an assessment of one hundred per centum, nurse the poor and doubtful debts, of which there are approximately $1,500,000, and thus realize the largest amount from the invested assets.

The detail of losses will be given by the counsel of the board of directors, W. J. Best, who has given unremitting labor to the investigation, and upon whose figures full reliance can be placed.

DANIEL NEEDHAM,
National Bank Examiner in charge of Pacific National Bank.

Address of W. J. Best.

I wish, gentlemen, that we met under pleasanter auspices than those in which we assemble here to-day. It is always an unpleasant task to a man to tell another that disaster has overtaken him. The story, however, must be told by some one. You have had a statement, full and complete, of the transactions which culminated in the suspension of the Pacific National Bank on Nov. 18, 1881. There is nothing to be added to the facts furnished in that regard by Col. Needham. What remains for me to say is simply to tell what there is in this bank with which to meet its liabilities to depositors and creditors. In ascertaining the liabilities it was necessary to have recourse to the books of account. Col. Needham has informed you that the books had not been balanced for a considerable period prior to Nov. 18, 1881. The liabilities, however, have been ascertained with the utmost care, and when I give you the amount I think you may accept it as absolutely correct. As to the assets of the bank, I deemed it unwise to use the books of account. All that I looked to was the notes and bills discounted and such stocks and bonds as were to be found in the vaults. I have handled, I believe, every note in
55 the bank, have examined it both as to its form and value, and have taken such measures as were possible, and seemed to

me necessary, to ascertain its actual value, a reasonable time being allowed to convert the assets.

The nominal value of the assets, divested of every questionable item, is $5,764,613.47, and the actual appraised value $5,049,758.82. I have reached these conclusions after blotting out more than $750,000 of claims against one man in this city, and treating as an asset only the sum which we know will be paid in probably to-day, but certainly within the next forty-eight hours.

The liabilities consist of three classes. First, there is a liability upon circulation; second, to depositors and creditors, which includes open accounts, demand certificates, rediscounts, and loans by banks and bankers to the Pacific. The whole amount of the liabilities under the second head is $5,154,592.21; the liability to stockholders is $961,300, and upon circulation $450,000, making a total of $6,565,892.21. Deducting the estimated value of the assets from the liabilities, we find an

Apparent deficiency

of $1,516,133.39. I say "apparent" because a very considerable portion of the sum named we can offset by exchanging securities and discounted paper, classed by us as "doubtful," and which do not appear in the estimated value of the estate of the bank, for demand certificates and cashier's checks now outstanding. I have traced many of these transactions, I think a majority of them, and have come to the conclusion that we may safely assume to exchange the doubtful assets for the obligations of the bank, about $370,000, which would go to reduce the deficiency. As to the remainder of that deficiency, I have proposed to the directors that it shall be met by first levying, voluntarily, upon the stock an assessment of one hundred per cent.; second, by their either putting in cash or good security for $150,000, in addition to the assessment upon the stock which they hold. This sum of $150,000 is to be repaid out of the remainder of the doubtful assets as soon as collected, and, if not collected, then they (the directors) will have put in $150,000 of their own funds to enable the bank to resume upon a sound financial basis. There is also a credit of some $35,000 as margins upon loans standing in the name of individuals through whom the late management of this bank borrowed money, the collateral of the bank being pledged as security for its payment. These loans could have been retired long since with funds collected since the date of suspension, but no transaction of that nature could be permitted by the national bank examiner. As soon, however, as the bank resumes there can be put into its treasury from $35,000 to $40,000, which stands in the form in which I have just stated.

56 Independently of the assets, which we consider doubtful, there is about $750,000 of a claim, as already intimated, which we take no notice of whatever, and which some of the best-informed men in Boston say is likely to yield a very considerable amount to the bank. The person concerned says it will all be paid as soon as he can get on his feet and be able to

Readjust his own affairs

and control his estate. There is in it sufficient to pay his entire indebtedness. But that is a mere promise, and would not serve as a basis to determine the amount of money necessary to be put into this bank to enable it to resume.

After the most careful and painstaking examination of all the bank's affairs, and having, as already explained, examined the accounts themselves, rather than take the record from the books, I have come to the conclusion that, with the assessment which it is proposed by the Comptroller of the Currency you shall to-day order upon the stock of the bank, and the guarantee fund to be furnished by the directors, there is for this bank a very bright future. Of course much depends upon the management, and that it will be proper and correct I do not doubt. During the eight weeks I have been here my efforts have been seconded most earnestly, literally day and night, by the directors, and the work which they have done in connection with myself has, to my certain knowledge, strengthened the assets of the bank to the extent of more than $500,000, as compared with their condition on the night of the 18th of November, 1881; that is to say, promises of individuals and corporations to which there is no collateral, the promise being of little or no value, have been strengthened by guarantees or indorsements, or by the putting in of good collateral, in the sum of $500,000. There are other ways in which the directors have greatly improved the condition of the bank; and if their plans should meet with your approval, as they have had the hearty approval and indorsement of the Comptroller of the Currency, I repeat the remark of a minute ago, that I see no reason why this bank may not in a short time resume business in a condition which can hardly fail to make the assessment now necessary to that end not only a safe and profitable investment, but insure beyond a peradventure a realization of perhaps 25, and maybe 50, cents on $1 of the money which has now passed beyond your control, and a dollar of which it would be impossible for you ever to get back were the bank to pass into the hands of a receiver.

In this connection, as an evidence to you that everything has been done, thus far, that was possible

57 To secure the interests

not only of the depositors and creditors, but also of the stockholders, I should state that there has been placed in my name as trustee for the Pacific Bank real and personal property which recently stood in the name of Mr. Benyon and members of his family, worth in cash, I think, $100,000. This, of course, will go as soon as it can be realized upon to help make good this great breach in your assets. I believe there are other properties, of what amount I have no knowledge at present, that we may get in the same way from persons who have had dealings with the bank, but the claims against whom we have written off now, it seeming unwise to regard them as worth anything.

There is nothing further, gentlemen, that I wish to say to you, but I shall try to answer any question you may desire to ask. I show you now (lifting a large pile of statements) the result of my investigation—the notes that I have made—and I can assure you that everything that is in this bank has been thoroughly sifted.

Queries.

A STOCKHOLDER: Do you know how the bank stood when the directors voted to double its capital?

Mr. BEST: I am not able to answer that question. I had no connection with the bank until about the 28th of November, ten days after the falure. My only relation previous to that time was that of its largest depositor. The money now here in my own name and in the name of a corporation of which I am president amounts to about $260,000 or $270,000.

Q. Over what period does this indebtedness run?

Mr. BEST: I think some losses of the bank originated in transactions made several months previous to the vote for increasing the stock. But the transactions have been fully described by Col. Needham. They were carried not upon the books of the bank, but in the head of its president and in the memorandum which the cashier himself kept. There is not an entry upon any of the books of the association of $1,262,500 indebtedness which stood in the name of one of its debtors on Nov. 18.

Q. But in the paper which the bank held, in your examination, of course, you had to see the date upon that paper, and you know, consequently, about what dates or for what dates the bank took that paper. Have you any doubt that this bank was insolvent at the time it voted for the increase of its capital stock?

Mr. BEST: That is a question I cannot answer. I have only addressed myself to ascertaining the bank's condition on the 18th of November.

58 Q. That question has not, then, been looked into by you at all?

Mr. BEST: No, sir; I have only addressed myself to the one date, Nov. 18.

ANOTHER STOCKHOLDER: I understand many small stockholders are not able to meet this assessment. What is to become of them?

Mr. BEST: I am at a loss to know how to answer that question. I am not, myself, a stockholder, but should the bank go on I am likely to be. The law prescribes that when an assessment is ordered three months shall be given within which to make payment. If payment shall not be made then the law provides that a notice of thirty days shall be given, and, unless payment be made at the expiration of that time the stock would then be sold. I think, however, there are but few who will not be able to take care of the assessment, and I am hopeful—my hope being based upon such knowledge as I have been able to glean by my labors here—that before any of these small holders could be sold out the affairs of the bank will be in such condition that they can themselves raise the money for the assessment without difficulty.

Q. I desire to know whether the cashier has not given a bond, and, if so, for how much, and whether his securties are good?

Mr. BEST: It was intended that the cashier should have given a bond (laughter), and I have reason to believe that a bond was drawn and that the directors were of the opinion that it was executed; but, since the suspension, it has been found that the bond was not executed. The cashier, therefore, cannot be held responsible in any sum whatever on that account.

Q. What provisions are there in the organization of the bank under the original charter or articles of association for an increase in its capital?

Mr. BEST: Perhaps it would be better for the counsel of the bank to answer that question, as I am only a merchant. The articles of association must conform to the law, and the law, I believe, is explicit upon that point. The counsel of the bank, Mr. Stone, could make that matter much plainer than myself.

A stockholder called for the reading of the provision of the articles of association

For increasing the capital stock,

and Mr. Stone, the counsel for the directors, read from the fifth article that the capital should be $250,000, but may be increased, according to the provisions of sec. 5142 of the Revised Statutes, to any sum not exceeding $1,000,000; also sec. 11 of the by-laws, providing that whenever an increase of the stock shall be determined upon the directors shall notify all the stockholders, cause a subscription book to be opened, and, if any stockholder fails to subscribe

59

the directors shall determine what disposition shall be made of the remaining new stock unsubscribed for, and from the directors' records to show that $461,300 of new stock was subscribed for, represented either by certificates of stock actually issued or in receipts, on the surrender of which the parties who took them are entitled to their certificates, and the remaining $38,700 unsubscribed was canceled; that the Comptroller of the Currency was notified and had issued his certificate that the increase of capital stock had been made according to law, which paper was read by Mr. Stone.

The call of the comptroller for an assessment of one hundred per cent. on the capital stock was read, and the following was offered:

Voted, In accordance with the notice of the Comptroller of the Currency, dated Dec. 16, 1881, there be, and hereby is, laid an assessment of one hundred per cent. upon the shareholders of the Pacific National Bank, of Boston, Mass., *pro rata* for the amount of capital stock of said bank held by each shareholder.

Voted, That the board of directors notify each shareholder of said assessment and collect the same forthwith.

J. H. Benton, Jr., called for a stock vote upon the question.

A running discussion ensued upon the expediency of passing the vote. Mr. McIntire, of East Cambridge, holding two shares, said it was a legal question whether the old stockholders could be assessed under the call. He wanted action postponed and a committee ap-

pointed to examine the accounts and report. He wanted to know whether the bank was solvent when he was induced to buy his stock. Later, when the roll was being taken, Mr. McIntire retired from the room, protesting against and declining to take part in the proceedings.

Mr. Hodges also thought the question should be settled whether the old stockholders could be assessed, and favored postponement.

Mr. Dole spoke in the same vein.

Several gentlemen spoke in favor of immediate action, among them J. F. C. Hyde, of Newton; Col. Alden, Capt. Watts, of Maine, and Henry D. Hyde, all agreeing that the only thing to be done was to vote and order the assessment, as the beast means of getting out of the difficulty and saving what they had invested.

In reply to the objections of Messrs. McIntire and Hodges, Mr. Stone stated that the assessment had been ordered by the comptroller under the best authority at Washington, and its legality would have to be settled in the courts.

There were loud calls for "question," and some impatience manifested at the delay.

The stock vote was ordered, and the chair appointed J. H. Benton, Jr., Capt. Watts, Richard Stone, Jr., J. F. C. Hyde, and Dwight Chester a committee to collect and count votes. The ballot proceeded.

60 The assessment ordered.

The question of ordering the one hundred per cent. assessment upon all outstanding stock was carried by a practically unanimous vote.

The total vote represented some $600,000, out of which only about $10,000 was opposed to ordering the assessment.

Directors elected.

The following directors were chosen by a stock vote of 4,727 shares against eighty scattering votes:

Lewis Coleman, of Boston; John Shepard, of Boston; M. Dyer, Jr., of Boston; M. P. Springer, of Newton; J. H. Whitaker, of Malden; Edwin Ray, of Newton; J. H. Sanborn, of Newton, E. M. Fowle, of Newton; George H. March, of Watertown; Arthur Sewall, of Bath; John E. Cassidy, of Boston; John Fallon, of Lawrence.

Present condition of the bank.

The following statement of the bank's condition Jan. 10, 1882, was submitted:

	Par value.	Estimated value.
Cash	$12,743 68	$12,743 68
U. S. bonds to secure circulation	500,000 00	500,000 00
Redemption fund	13,500 00	13,500 00
From banks and bankers	196,049 93	196,049 93
Bonds, mortgages, and stocks	273,500 00	249,000 00

	Par value.	Estimated value.
Pledged to International Trust Company on account of $200,000 loan, not included under any other head	$50,000 00	$50,000 00
Cashier's account and cash items	145,038 90	93,250 49
Receiving teller's items	57,743 02	49,558 22
Notes and bills discounted, etc., including real estate mortgages and stocks carried as loans	4,353,538 40	3,739,656 50
Overdrafts	26,539 55	10,000 00
Revenue stamps	1,000 00	1,000 00
T. C. Weeks, cash	135,000 00	135,000 00
Difference between estimated and par value		714,894 65
	$5,764,653 47	$5,764,653 47
Circulation		450,000 00
61 Deposits and creditors:		
A—Deposits subject to check	$1,060,615 10	
B—Certificates of deposit	1,728,762 53	
C—Due banks and bankers	1,679,189 97	
D—Rediscounts	685,589 61	
E—Unpaid dividends	435 00	
		$5,154,592 21
Stockholders		961,300 00
Recapitulation:		$6,565,892 21
Assets—Estimated value, as above		$5,049,758 82
Liabilities		6,565,892 21
Apparent deficiency		$1,516,133 39
Margin on loans in names of individuals	$25,000 00	
Premium on U. S. bonds about	10,000 00	
Assessment	961,300 00	
Directors' guarantee fund	150,000 00	
Doubtful assets ($714,894.65)	369,833 39	
		$1,516,133 39

The committee appointed to receive, sort, count, and report the votes cast upon the motion to adopt the resolution offered by Richard Stone, Jr., providing for an assessment upon the capital stock, have attended to that duty, and report as follows, viz: Whole number of votes cast, 5,549, representing 5,549 shares, of which 5,494 are in the affirmative and 55 in the negative.

(Signed) J. H. BENTON, JR.
DWIGHT CHESTER.
RICHARD STONE, JR.
SAMUEL WATTS.
JAMES F. C. HYDE.

Adjourned.

J. H. WHITAKER, *Secretary.*

62 EXHIBIT 10.

Record of Directors' Meeting.

SATURDAY, *Nov.* 19, 1881.

Present: Messrs. Benyon, Coleman, Sewall, Sanborn, Springer, Shepard, March, Whitaker and Fowle.

Voted, That Col. Needham be requested to make a thorough examination of the bank, and report to the directors.

Voted, That Messrs. Coleman, Shepard, and Whitaker be an executive committee to aid the bank examiner in the examination of the security of the bank, with full power.

Attest:

J. M. PETTENGILL, *Cashier.*

EXHIBIT 11.

Letter, Bank Examiner to Comptroller, Nov. 26, 1881.

OFFICE OF DANIEL NEEDHAM, NATIONAL BANK EXAMINER,
45 MILK STREET, BOSTON, *Nov.* 26, 1881.

SIR: I have made a statement to the directors of the Pacific National Bank of Boston this afternoon. All the directors but one were present.

They have taken the matter of my statement under consideration, and are anxious for a delay of a week, and have telegraphed to the comptroller asking delay in his final decision.

My report to the Department will be made up at the earliest moment, but I fear it cannot be completed before Monday evening or Tuesday forenoon of next week.

I do not think my investigation of yesterday and to-day has made the matter more hopeful. The directors, however, are very hopeful, and I hope they may have full opportunity for deliberation.

I was in error in my statement that Mr. Weeks was not using checks of the Pacific one year ago, or at the time of my last examination. I made the statement from the testimony of Benyon, the president, which was confirmed by Weeks; they, however, stated from memory. I find by examination of the stub-books that Weeks was using Pacific National Bank checks at the time of my last examination and for some two months previously, but in comparatively small amounts; and the checks which were in at the time of my
63 examination were all apparently regular clearing checks and passed regularly and in amount not sufficient to attract any attention. At that time Mr. Weeks was unquestionably solvent, and continued so for several months afterwards; and the first clearing check which came back to the Pacific was the 9th of August, 1881, for the sum of ten thousand dollars.

I shall give full details of transactions and minute account of the condition of the bank in my report.

Very respectfully, y'r ob't s'v't,

DANIEL NEEDHAM.

Hon. John Jay Knox, Comptroller of the Currency, Washington, D. C.

EXHIBIT 12.

Report of Bank Examiner to Comptroller, March 11, 1882.

No. of bank, 2,373.

Examiner's report of the condition of the Pacific "National Bank," located at Boston, in the county of Suffolk, State of Massachusetts, at 9 o'clock a. m., March 11th, 1882.

Lewis Coleman, president; E. C. Whitney, cashier.

Resources:

		Dollars.	Cts.
1.	Notes and bills discounted	$2,436,962	64
2.	Overdrafts	2,184	89
3.	U. S. bonds to secure circulation	500,000	
4.	U. S. bonds to secure deposits		
5.	U. S. bonds on hand		
6.	Other stocks, bonds, and mortgages	664,672	46
	Temporary or demand loan	702,854	06
7.	Due from app'd reserve agents, viz.	845,202	12
	Suspense account due on assessment	354,300	
8.	Due from other national banks	36,545	74
9.	Due from State banks and bankers		
10.	Banking house		
11.	Other real estate	335,041	88
12.	Furniture and fixtures		
	13. Current expenses		
64	14. Taxes paid		
	15. Premiums paid		
	Revenue stamps	961	93
16.	Checks and other cash items	91,141	80
17.	Exch's for C. H., includ'g gold ch'ks		
18.	Bills of other national banks		
19.	Bills of State banks		
20.	Fractional currency (includi'g nickles)		
21.	Specie, viz.		
	Silver coin	3,049	68
	Gold coin		
	Rec. teller	3,876	62
22.	Legal-tender notes		
23.	U. S. cert's dep. for legal tenders		
24.	5 p. c. red'n fund with Treas. U. S.	22,500	
25.	Other funds with Treas. U. S.		
	Cash		
	Total	5,999,293	82

Liabilities:

		Dollars.	Cts.
1.	Capital stock paid in	354,300	
	Do. assessment	607,000	
2.	Surplus fund	300,000	
3.	Discount		
4.	Exchange		
5.	Interest		
6.	Premiums		
7.	Profit and loss	18,291	44
	Suspense Poland	9,800	
8.	Circulation received $450,000		
	On hand and returned 43,400		
		406,600	
9.	State bank circulation outstanding		
	Suspense certificates	367,483	34
	10. Dividends unpaid	435	
65	11. Individual deposits, viz:		
	Subject to check	986,380	67
	Demand certif's	1,108,458	28
	Time certificates		
	Certified checks		
	Cashier's checks		
12.	United States deposits		
13.	Deposits of U. S. disbursing officers		
14.	Due to national banks	929,817	51
15.	Due to State banks and bankers		
16.	Notes and bills rediscounted	382,895	99
17.	Bills payable	509,701	32
	Cash over	18,130	27
	Total	$5,999,293	82

Dividends and Surplus.

(Section 5199 of the Revised Statutes of the U. S.)

Date of last dividend, July 1, '81; amount, $15,000; carried to surplus, $14,239.48.

Loans and Discounts.

On paper with two or more individual or firm names	$1,733,836	98
On single-name paper (one person or firm) without other security	162,770	85
On mortgages and other real estate security		
On U. S. bonds, payable on demand		
On other stocks, bonds, etc., payable on demand	762,708	88
All other loans	480,499	99

Included in the above are—

Bad debts, as defined in section 5204 of the Revised Statutes of the U. S.	3,612	84
Other suspended and overdue paper	777,619	84
Liabilities of directors (individual and firm) as payers	101,607	33

66 Loans exceeding the limit prescribed by section 5200 of the Revised Statutes of the U. S., viz:

Consist of two items, to wit:

John Steward	$100,000
H. M. Jewett	100,000

General Remarks.

Bills payable consist of memoranda given to the Central National Bank, to wit:

$19,701.32, payable six months from January 1st, 1882.

$400,000, payable one year from January 1st, 1882, at four per cent. interest.

$70,000 at the Boston Five-Cent Savings Bank, at five per cent. interest, with bonds as collateral, payable at the option of the bank. The checks drawn on the Eliot and held by the Central National, aggregating three hundred and fifty thousand dollars, upon one of which T. C. Weeks has paid twenty-five thousand dollars, and which were treated by me in a former report as doubtful, and which I had not expected to come to the bank from the Central National, were accepted through Mr. Weeks, in his settlement, as is fully explained in my correspondence with the directors, a copy of which is embraced in this report.

Bank accounts all verified in accordance with the requirements of the Department.

Cash items consist of the following, to wit:

Fractional bill and currency	1	60
Memorandum for interest, due from Edward Crane, *for interest*	2,797	08
Memorandum for check, W. J. Best	2,500	
Memorandum checks, E. M. Fowle	2,875	03
Memorandum check, F. E. Bryant	241	73
Cash check, Lewis Coleman	19,300	
Cash check, Shepard, Norwell & Co.	19,000	
" " Lewis Coleman	10,000	
Cash check, Lewis Coleman	968	50
67 Check on Pacific Nat'l Bank, W. S. Denney, treas.	7,000	
" good on opening, J. V. Fletcher & Co.	10,000	
Check, good on opening, C. E. Morrison	5,000	
" Cash, Lewis Coleman	1,000	
" " Do.	100	
" " Do.	5,000	
Cash paid on W. P. H. note, Wm. P. Hunt	5,109	17
Bills	245	
Change	3	69
	91,141	80

Memorandum checks are said by the president to be good.

Cash paid on W. P. Hunt's note, 5,109.17, will be carried to loan account, the note having been endorsed by the Pacific National Bank, and the party holding the same having been paid by direction of the president, Mr. Coleman. Check on Pacific by W. S. Denney, treasurer, is drawn against a balance on the books of this bank.

Other stocks, bonds, and mortgages consist of the following items:

				Date of deed.
Nantasket Company bonds		113,000		
Framingham & Lowell R. R. bonds		4,000		
Brown, Riley & Co.		64,000		
Nantasket Co. stock		2,000		
Five Cent Savings Bank	C., B. & Q. bonds.	100,000		
	Nantasket "	12,000		
Home Savings Bank, Marcus note secured by mortgage		22,759	17	Jan. 25, '81.
Nathaniel M. Jewett, mortgage of real estate in Boston		100,000		Oct. 7, '81.
Thos. Lord & H. G. Parker, trustee note secured by mortg. of real estate		58,450	52	Nov. 17, '81.
E. M. Fowle, trustee mortgage of land	4,500			
And houses at O. S.	1,537 17	6,037	77	May 28, '79.
Mortgage of German Lutheran church		30,000		M'c'h 8, '82.
68 Ellenville Gas Light Co. bond, 500 bond		400		
Lebanon Spring R. R. Co.'s bond (rece'v. cert'f)		15,000		
		527,647	46	
Clark Insulated Wire Co., 1,401 sh's, par value $25		35,025		
Danville & Ohio R. R. bonds		3,000		
Utah & Pleasant Valley R. R.		99,000		
		664,672	46	

The mortgages hereinabove named have been taken in accordance with the provisions of law to protect the bank against loss by paper held by the bank.

Upon these several securities, if a sale should be forced, there would be a very considerable loss. To this fact in my letter, a copy of which is herein given as a part of this report, I called especial attention to this matter, as I have also to the large sources for loss open in every asset account, and to this the directors in their reply, a copy of which is also given, accept the responsibility.

Suspense account, 367,483.34, consists of thirty-seven certificates of deposit, which the counsel of the bank certifies the bank has a legal defence against, the payment of no valuable consideration having been received therefor and practically in the hands of the original parties to whom they were issued.

Other real estate consists of the following items:

	Amount.	Date of Deed.
Deed of land in East Boston	4,500	April 4th, 1881.
" " Newton	10,000	Nov. 8th, 1881.
" " from A. A. Marcus	10,000	Oct 21, 1881.
" " Taunton Savings B'k	7,500	Deed to come.
Real estate, Commonwealth avenue	137,500	M'ch 11, 1882.
Real estate Mystic avenue	14,276 97	Feb. 20, 1878.
" Winthrop	2,164 91	Sept. 1st, 1881.
" Whitney property	15,000	Deed in transit.
" Wm. Bassett	1,200	Ocean Spray. July 25, '79.
Real estate, Camden & Tremont Sts.	14,500	Dec. 6, 1881.
69 Real estate, Albion, Cliftondale, Purchase Sts.	18,300	Jan. 20, M'ch 24, '81.
Real estate, Chas. Hurlburt, Dale St.	5,100	Apr. 9, 1880.
Real estate, Hotel St. Leonard	45,000	M'ch 7, 1882.
" " Commonwealth Hotel,	50,000	" 11, 1882.
	335,041 88	

This real estate has all been taken in accordance with the provisions of law to protect the bank against loss by paper taken by the bank.

It is impossible for me to give a valuation to these items. The directors are confident that upon the real estate there will be but little if any loss.

Paper classified "Bad debts," 3,612.84, consists of several items which should be charged off.

Paper classified "Other suspended and overdue" consists of a large number of items, sixty thousand dollars of which has been overdue the second time. About this paper, as well as about the other paper of the bank, I have little knowledge except that which I obtain from members of the board.

As will be seen by my letter to the board of directors, which is made a part of this report, I have called especial attention to each classification of assets upon which the bank is to rely for rehabilitation, and, as will be seen by the reply of the board of directors, which reply is also made a part of this report, the directors accept the responsibility of again opening the doors of the bank for business.

Before concluding my examination of this bank I addressed a letter to the board of directors, of which the following is a copy:

To the directors of the Pacific National Bank:

GENTLEMEN: You are in session to consider the most important matter connected with your varied, arduous, and continuous labor for the last four months, the summing up of your work and its re-

sults. Upon your action to-day must rest largely the reopening of the bank, or the passing of its assets into the hands of a receiver.

You have worked assiduously and continuously, some of you, men of very large and active business, having entirely neglected your own personal matters and given your whole time to the affairs of the bank.

To-day the question is put to you, Is the bank now solvent?
70 Can it be rehabilitated and placed with the other solvent banking institutions of Boston and enter safely into the legitimate competition for a legitimate business and have the result crowned with success?

You have directly or indirectly scanned every piece of paper and every item of bond, mortgage, and real estate which enters into the great total of the bank's assets. You have renewed much of the overdue paper, taken new or additional security, and examined the large volume of "overdue" paper, item by item. You have in almost every instance had the debtor in your presence, conversed with him freely, interrogated him with regard to his means, and reached a conclusion, as I understand, in every case which has been made a matter of record.

Personally, I have called your attention many times during the last four months to the enormous acknowledged liabilities of the bank, and again, in this closing communication, I ask you to weigh fully the certainty of the liabilities and the uncertainty of assets, which depend upon human life, a varied market, and a healthy and successful business future. I must remind you of the large item of paper classified "overdue," aggregating seven hundred and eighty-one thousand dollars, some sixty-eight thousand dollars of which has been of the renewed paper previously overdue, and now overdue for the second time. I must remind you of the "other stocks, bonds, and mortgages," aggregating more than six hundred thousand dollars, most of which could not find a ready market at prices very considerably below the individual and aggregate values at which they stand in the bank's assets.

I must remind you of the time and demand loan, constituting the great bulk of assets—the backbone of the bank—out of which you are to largely meet the liabilities which you assume of payments on call, and in four, eight, and twelve months, from January 1st, 1882.

I must remind you of the real estate depending for its disposition upon a variable market.

I must remind you that some three hundred and fifty-four thousand three hundred dollars of the assessment to make good lost capital has not yet been paid in.

I must also call to mind the swelling of the liabilities some three hundred and twenty-five thousand dollars by the recognition of the two checks held by the Central National Bank, to wit, one of two hundred thousand dollars and one of one hundred and fifty thousand, drawn Sept. 6th and 8th, 1881, on the Eliot National Bank, and which did not appear upon the books of the Pacific National charged in the Eliot National Bank account.

I am aware that the outstanding checks are *prima facie* evidence

of the indebtedness of the bank, and I am also aware that they were grouped with checks recognized in all hands as *bona fide* in-
71 debtedness of the Pacific National in a final adjustment of the unsecured checks held by the Pacific National against T. C. Weeks, who, otherwise, by this settlement, seemed powerless to contribute anything in liquidation of his debt.

With this review of the principal features of the bank's assets and this reminder of the weak and doubtful features of the condition of the bank I ask you careful and mature action, keeping constantly in mind your duties to the creditors and stockholders of the bank and the great public, who will, of right, discuss the result of your action.

Very respectfully, DANIEL NEEDHAM,
Nat'l Bank Examiner.

To which the directors returned a reply, of which the following is a copy:

BOSTON, *March 11th*, 1882.

To Daniel Needham, Esq., national bank examiner.

SIR: Your letter of this date has been read and carefully considered by the board of directors of the bank. We have, as you say, either directly or indirectly, scrutinized every item of assets held by the bank. We have, directly or indirectly, met most of the debtors of this bank face to face, and have formed an opinion of the character and responsibility of the men. We have weighed carefully the great aggregate of liabilities, and are impressed with the responsibility we assume when we decide that the doors of the bank can again be opened for business and its obligations met as they have been arranged with a very large proportion of the creditors. It has been by careful consideration that the liability of the bank on the two checks held by the Central National Bank, aggregating three hundred and fifty thousand dollars, upon which T. C. Weeks had paid twenty-five thousand dollars, have been recognized in the settlement of T. C. Weeks as a part of the seven hundred and five thousand dollars which he has paid on his unsecured checks held by the bank, the settlement being the best that could be made, and removing from the bank a liability hereafter to be contested in the courts, involving large expense and uncertain results at the best.

In view of all the facts in the case, and of our most careful and protracted examinations, we decide that the assets of the bank are fully equal to its liabilities, and are not only willing but desirous of taking the responsibility which the reopening of the bank's doors for business imposes upon us.

In behalf of the board:

Respectfully, LEWIS COLEMAN, *Pres't.*
DANIEL NEEDHAM,
Examiner.

To the Comptroller of the Currency, Washington, D. C.

72 EXHIBIT 13.

Letter, W. J. Best to Comptroller, March 14, 1882.

WASHINGTON, D. C., *March* 13, 1882.

Hon. John Jay Knox, comptroller, etc.:

SIR: Referring to our interview of yesterday, concerning the Pacific National Bank, I beg to submit a brief statement as to certain assets, of the value of which you desired more particular information than had been furnished by Col. Needham, national bank examiner.

Under the head of "other stocks and bonds and mortgages," the bank holds—

Nantasket company bonds	125,000
Nantasket company stock	64,000
Utah & P. V. R. R. bonds	99,000

These items aggregate $228,000, and are now worth only about 75 % of their face value; but, as an asset, I feel justified in saying that they are worth par. The transactions through which they came into the bank are well known, and I have excellent reasons for stating that the persons who placed them in the bank can be compelled and will shortly find it to their interest to take them out again at the cost price of $288,000.

The bonds of the Framingham and Lowell R. R., the Danville & Ohio River R. R., the C., B. & Q. R. R., and the Lebanon Springs R. R. receiver's certificates, together amounting to $122,000, are good, interest-paying securities, which could readily be sold at 85 %, even in the present depressed state of all railroad stocks. They cost the bank par, and, in the opinion of persons well informed, will ere long sell at that price, or even higher.

Of the Clark Insulated Wire Co. stock, $35,025, I know but little. A gentleman largely interested in the company informs me that its stock has a prospective value far beyond the sum named. Mr. Coleman and, I think, others connected with the bank, own some of this stock. That held by the bank was taken in part settlement of the indebtedness of an insolvent corporation.

73 The "bonds and mortgages" foot up $217,247.46, and on this large sum the loss will probably not exceed $1,500, which may be sustained on the $6,037.77 mortgage in the name of E. M. Fowle, trustee. The item of $22,759.17 will be offset by an equal amount in our own demand certificates, now held by the Home Savings Bank. This settlement was arranged previous to my leaving Boston last Saturday. The rest of the list are amply secured, and will doubtless be converted into cash or first-class stocks within a few months.

Of the "real estate" upwards of $60,000 will be exchanged for demand certificates that were issued for properties taken from the Home Savings Bank, the Taunton Savings Bank, A. A. Marcus, and others. The Commonwealth avenue lands, the Commonwealth Hotel, and the estate at Camden and Tremont Sts., aggregating $202,000,

are not rated at their full market value. I feel quite certain that they will realize the sum stated, and that they can be disposed of during the spring or early summer. The remainder of the real estate amounts to $71,764.91, on which I anticipate a loss of about $25,000.

As to the "notes and bills discounted," I would say that each piece of paper and everything in the shape of collateral have been gone over several times by the directors, and that they did not hesitate to assume the responsibility put upon them by Col. Needham in the letter which he addressed them on the 11th inst. and made a part of his report. The large amount of "past-due" paper could at any moment be almost wholly blotted out by renewals, but I have earnestly advised against this course, for the reason that the makers and indorsers are not entitled to discounts and should be compelled to pay up at once. A large portion, probably about four-fifths, is secured by collateral or indorsements sufficient to cover the whole amount due the bank.

A fair approximation of the loss upon notes and bills discounted, including the "past due," would be from $150,000 to $250,000. It is probable that the minimum sum named will more than cover the actual loss. Of course careful and intelligent, and at the same time energetic, management is required in dealing with this por-
74 tion of the assets, and you may rest assured that nothing will be left undone to insure the most satisfactory results.

The "surplus fund" and "profit and loss" amount to $318,291.44, and this sum the directors believe ample to cover every possible loss in realizing upon the estate. In this opinion I fully concur and will do all in my power to make it good.

As evidence of what may be accomplished by good management the tables given below speak for themselves. The work already done entitles the directors to the confidence of the Department and the respect of every one in any way interested in the bank. Beside reducing the liabilities nearly $1,200,000 the assets that remain have been strengthened to the extent of at least $500,000; that is to say, mortgages, stocks, and bonds in the amount named have been brought into the bank as collateral where none was held before.

When the bank suspended it had less than $13,000 in cash; now it has nearly $1,000,000, and the amount is steadily increasing.

The surplus that is shown in the bank examiner's report of the condition of the bank represents mainly properties of various kinds that have been secured since Nov. 18, 1881.

In the settlement with T. C. Weeks the bank released of its claims against him $857,500. Notwithstanding the release he declares that he can and will yet pay to the last penny, and there are many conservative bankers, capitalists, and merchants in Boston who believe that he will do so.

Once before he failed, got his discharge in bankruptcy, resumed business, made money, and paid his old debts in full. All who know him say he is honest, and he has so impressed me. He is a strange character—bright, clever, and a bold operator; a man whom it is difficult to keep down, much less suppress, and who, I believe, would

rather have men say of him that he paid his debts than that he was worth millions. From all that I know of him I think there is a fair prospect that he will ultimately pay a portion, perhaps the whole, of his indebtedness to the bank.

I shall lay a copy of this letter before the directors on my return to Boston, and will have them indorse it or send you a similar letter over their individual signatures; meantime you may treat it as fully authorized under the general powers conferred upon me by the vote passed at their meeting last Saturday, a certified copy of which I herewith file.

I have the honor to remain, etc., respectfully, your ob't serv't,

W. J. BEST.

PACIFIC NATIONAL BANK,
BOSTON, *March* 21, 1832.

According to our best knowledge and belief, we think the within statement is correct.

LEWIS COLEMAN.
JOHN SHEPARD.
GEORGE H. FROST.
JAS. H. WHITAKER.
GEO. N. MARSH.
MICAH DYER, JR.
M. P. SPRINGER.
SAMUEL WATTS.
JOHN FALLON.

Nov. 18, 1881:		
Subject to check		1,062,540 10
Demand certificates		1,728,762 53
Banks and bankers:		
General	1,815,936 36	
Howard Nat'l Bank	70,000 00	
5 c. Savings Bank	90,000 00	
		$1,975,936 36
Rediscounts		685,589 61
		$5,452,828 60
March 11, 1882:		
Subject to check	986,380 67	
Demand certificates	1,475,941 62	
Banks and bankers	929,817 51	
Bills payable:		
Cent. Nat'l Bank 419,701 32		
5 c. Savings Bank 90,000 00	509,701 32	
Rediscounts	382,895 99	
		4,284,737 11
Actual reduction in liabilities		1,168,091 49
Liabilities as above		4,284,737 11

Extensions to March 11	2,648,267 00	
Do. likely to be secured before the bank resumes	153,733 00	
Demand certificates carried to suspense ac. by direction of Col. Needham	367,483 00	
		3,167,483 00
Balance		1,117,254 11
Deduct rediscounts, which it is believed will be paid at maturity		382,895 99
Amount to be provided on resumption		$734,358 12
Cash actually available		954,259 39
Surplus in cash, after paying every obligation not extended or contested		219,901 77

EXHIBIT 14.

PACIFIC NATIONAL BANK,
105 DEVONSHIRE STREET, BOSTON,
January 2nd, 1882.

We, the undersigned, creditors of the Pacific National Bank of Boston, in consideration of the embarrassed condition of said bank and the agreements of the other parties hereto herein contained, do hereby, for ourselves and our heirs, executors and administrators, respectfully covenant and agree with said Pacific National Bank of Boston, its successors and assigns, that we will and hereby do extend the time of payment of our several claims as follows, to wit: one-third thereof to be paid in four months from January 1st, 1882; one-third thereof to be paid in eight months from January 1st, 1882; one-third thereof to be paid in twelve months from January 1st, 1882; interest on each instalment to be paid therewith at the rate of four per cent. per annum; the bank to have the right to anticipate any or all of said instalments.

77

In witness whereof we have hereto set our hands and our common seal, adopted for this purpose only, this second day of January, one thousand eight hundred and eighty-two.

EXHIBIT 15.

THE PACIFIC NATIONAL BANK,
BOSTON, *March* 16, 1882.

To our depositors:

By vote of the directors and the approval of the Comptroller of the Currency the bank will reopen for business on Saturday, the 18th. Every effort has been made to put the bank again into a sound and solvent condition, and the stockholders have been called upon to pay an assessment of 100 per cent. on their stock, thus making the depositors' balances secure and available. The bank will be run on

strict business principles and in the interest of its customers and stockholders, and, while thanking you for past favors, we solicit your confidence and support for the future.

LEWIS COLEMAN, *President.*
E. C. WHITNEY, *Cashier.*

EXHIBIT 16.

(2373.)

Lewis Coleman, president. E. C. Whitney, cashier.

THE PACIFIC NATIONAL BANK,
BOSTON, *April* 21, 1882.

No. 105 Devonshire St., directly opposite post office.

—— ——,
—— ——:

In December last a notice was received from the Comptroller of the Currency, of which the following is a copy:

78 TREASURY DEPARTMENT,
OFFICE OF COMPTROLLER OF THE CURRENCY,
WASHINGTON, *Dec.* 16, 1881.

To the Pacific National Bank, of Boston, Massachusetts:

The entire capital stock of the Pacific National Bank, of Boston, Massachusetts, amounting to nine hundred and sixty-one thousand three hundred ($961,300) dollars, having been lost, notice is hereby given to said bank, under the provisions of section 5205 of the Revised Statutes of the United States, to pay the deficiency in its capital stock by an assessment of one hundred (100) per cent. upon its shareholders, *pro rata*, for the amount of capital stock held by each, and that, if such deficiency shall not be paid and said bank shall refuse to go into liquidation, as provided by law, for three months after this notice shall have been received by it, a receiver may be appointed to close up the business of the association, according to the provisions of section 5234 of the Revised Statutes of the United States.

In testimony whereof I have hereto subscribed my name and caused my seal of office to be affixed to these presents, at the Treasury Department, in the city of Washington and District of Columbia, this sixteenth day of December, A. D. 1881.

[SEAL.] JNO. JAY KNOX,
Comptroller of the Currency.

In pursuance of the foregoing notice the following vote was passed at the annual meeting of the stockholders held Jan. 10, 1882:

Voted, In accordance with the notice of the Comptroller of the Currency, dated Dec. 16, 1881, there be, and hereby is, laid an assessment of 100 per cent. upon the shareholders of the Pacific National Bank, of Boston, Mass., *pro rata*, for the amount of capital stock of said bank held by each shareholder.

Voted, That the board of directors notify each shareholder of said assessment and collect the same forthwith.

More than three months having elapsed since you were notified of said assessment, and the same not having been paid, you are hereby notified that unless said assessment shall be paid on or before April 28, 1882, notice of the sale of your stock at public auction will be published in a newspaper of the city of Boston and posted in the office of this bank, and your stock will be sold according to law on Wednesday, the thirty-first (31) day of May, 1882.

E. C. WHITNEY, *Cashier.*

79 EXHIBIT 17.

Lewis Coleman, president.

PACIFIC NATIONAL BANK,
105 DEVONSHIRE STREET,
BOSTON, *Jan.* 2, 1882.

A meeting of the directors of the Pacific National Bank was held at their rooms this day, when the following votes were adopted unanimously:

"Voted, That in the opinion of said directors an assessment of 100 per cent. upon the stock of said association will place it upon a sound financial basis, provided depositors and creditors shall agree to a reasonable extension of time for the payment of their several claims.

"Voted, That depositors and creditors be requested to sign the following agreement, and return the same to the bank on or before the 10th inst."

The agreement (Exhibit 14) referred to in the last vote is herewith enclosed. It is very important that you sign and return it to me as soon as possible. The assets of the bank consist almost wholly of discounted paper, which cannot be realized upon immediately without great sacrifice. It would, therefore, be unwise to attempt to resume at an early date unless the creditors generally agree to the extension now asked. Waiting your reply,

Respectfully, &c., LEWIS COLEMAN, *Pres't.*

Deposition of Richard Stone.

BOSTON, *Oct.* 17, 1884.

Direct examination by A. P. GOULD, Esq., of counsel for complainant:

Int. 1. Please state your name, residence, and occupation.

Ans. Richard Stone; Boston, Mass.; counsellor-at-law.

Int. 2. Please state whether you were counsel for the Pacific National Bank during its suspension, from Nov. 18, 1881, to and including the time of the annual meeting, Jan. 10, 1882.

Ans. I was counsel for the Pacific National Bank in Boston from a few days after its suspension in November, 1885, to and including

the annual meeting, Jan. 10, 1882, and for some time afterwards.

80 Int. 3. Were you present at the meeting of the board of directors December, 1881, at which the vote was passed canceling $38,700 of the stock which had been voted Sept. 13, 1881?

Ans. I was present at a meeting of the board of directors at which a vote was passed, to which I suppose you refer in your question. I do not remember the exact date. I remember that I drafted the vote, and that it was passed while I was present.

Int. 4. Have you a copy of that vote now in your hands incorporated into the statement of facts in this case?

Ans. Yes.

Int. 5. Please state whether prior to the passage of that vote, as a representative of the bank, you had an interview with Comptroller Knox at Washington in respect to the amount of capital stock of the bank, and, if so, whether you then informed him, if he did not know it before that a vote had been passed in September previous, increasing the capital to $1,000,000, and that the full amount of the increase had not been prescribed or paid in, and state the facts about the interview.

(Objected to.)

Ans. At the request of the directors of the bank I went to Washington in December, 1881, before the vote referred to in the question was passed, and had an interview with Comptroller Knox in relation to the affairs of the bank. Mr. March, one of the directors, and Mr. William J. Best were present and took part in the conversation. The fact that a vote had been passed in September previous to increase the capital to a million dollars, and that the full amount of that increase had not, in fact, been subscribed for or paid in when the bank suspended in November, was talked over in that conversation. Whether I mentioned it or one of the gentlemen present I cannot state. I discussed with the comptroller the question as to what should be done in view of those facts, and as to what should be regarded as the capital of the bank, and the conclusion of the matter was that such a vote as this of Dec. 13, 1881, should be passed by the directors; that the comptroller should then be notified that the capital had been increased by the sum which had in fact been paid in, and that he should thereupon issue his certificate of increase to the bank to that amount. He expressed his approval of that course.

81 Int. 6. Was the vote outlined during that interview, or the substance of it agreed to in your interview with the comptroller?

Ans. The substance of it was approved by the comptroller, but no draft of it was made at the time, nor until subsequently.

Int. 7. Did you report to the board of directors your interview with the comptroller, and inform them that the course which was adopted was approved by him, before the vote was passed?

Ans. I did.

(The evidence given by Mr. Stone is objected to by defendant's counsel as incompetent, and it is agreed that this objection is to have the same effect as if entered in connection with each question.)

Cross-examination by A. A. RANNEY, Esq., of counsel for defendant:

Cross-int. 8. When you went in to act as attorney of the bank and examined about the increase of stock did you find a subscription paper or papers, or whether there had been one opened and signed, or how the matter then stood?

(Objected to as calling for secondary evidence.)

Ans. I found that there had not been any subscription paper opened or signed. I was informed by the cashier, whom I questioned on the subject, that he first sent out notices to the stockholders, notifying them of the vote to increase and of their right to take new stock, share for share, and stating the time within which payment must be made; that subsequently, as parties came in and notified him that they would take new stock, he received payment from them and gave them receipts therefor, telling them orally that he would fill out certificates of stock as he had time, and they could call later and get them; that he entered the names of such stockholders and the amounts paid by them on a small book which he kept for that purpose, and from that book he told me how much had been paid in in all. That I understood was the whole method of the transaction.

(Complainant objects to the declarations of the cashier and to all hearsay evidence in the answer.)

RICHARD STONE.

Attest: JOHN G. STETSON, *Examiner.*

82 *Evidence for Defendant, taken Pursuant to the Sixty-Seventh Rule of the Supreme Court of the United States, in Equity, as amended, before me, John G. Stetson, Examiner.*

Present: A. P. Gould, Esq., and Benjamin N. Johnson, Esq., of counsel for complainant; A. A. Ranney, Esq., of counsel for defendant.

Deposition of Linus M. Price.

BOSTON, *Oct.* 17, 1884.

Direct examination by A. A. RANNEY, Esq., of counsel for defendant:

Int. 1. Please state your name and if you are the defendant in this cause.

Ans. Linus M. Price; I am.

Int. 2. Please state what was the amount of paper which, at the time of resumption, the bank had out under rediscount.

Ans. $354,321.13.

Int. 3. State what the amount of rediscounted paper was at the time of the final failure, on May 20, 1882.

Ans. $559,481.85.

Int. 4. Please state what you mean by rediscounted paper.

Ans. I mean paper which the bank owned or discounted and sold with the bank's indorsement.

Int. 5. Was this paper passed by the Pacific Bank to individuals or to other banks?

Ans. Generally to other banks.

Int. 6. I understand you to mean, as an illustration, that the bank made loans to customers, taking paper in a discount loan, and they got the same notes discounted at other banks with the indorsement of the Pacific Bank; am I correct?

83 Ans. You are.

Int. 7. Have all of those rediscounted notes or papers been paid? If not, what proportion of them are still unpaid?

Ans. Seventy-five thousand dollars ($75,000) are still unpaid.

Int. 8. Have they matured since you were appointed receiver, or were they notes on time which have not yet expired?

Ans. They have all matured, and a part of them have been renewed from time to time with the consent of the receiver, so that they remain a liability of the bank.

Int. 9. Can you judge whether they are good or bad, and what proportion of them are bad?

Ans. My last estimate was that $60,000 of this rediscounted paper would never be paid.

Int. 10. Will you please state whether the assessment laid on Jan. 10, 1882, had all been paid in when the bank resumed? If not, what amount had been paid in and what remained unpaid?

Ans. The assessment was not all paid in before the resumption of March 18, 1882. The amount paid in before March 18 was $643,700. The amount paid after resumption was $99,100.

Int. 11. Had the assessments been all paid in when the bank finally failed, May 20, 1882?

Ans. They had not; $218,500 of the assessment of $961,300 had not been paid in May 20, 1882.

Int. 12. When the bank resumed what was done with the amount of the assessment paid in?

Ans. It went into the general business of the bank, the general assets of the bank.

Int. 13. Was there any distinction made as to that money and the way it was treated from the other assets of the bank?

Ans. No.

Int. 14. The moneys of the bank which they had when they resumed and the money which they received afterwards were paid out how?

Ans. It was used to pay demands, expenses, interest.

Int. 15. State whether the first instalment of the extended paper which fell due in May, 1882, was all paid. I refer to the extension under paper dated Jan. 2, 1882.

84 Ans. A large part was paid. In a number of cases the amount due on extension was left on deposit at the request of the bank officers, and in some cases depositors who were dealing with the bank daily paid no attention to the extension.

Int. 16. Since you have been receiver have you been able to col-

lect any of the voluntary assessment which remained unpaid when you took charge of the bank?

Ans. I have not.

Int. 17. Will you state from the stock ledger what transfers of shares of the capital stock of the bank were made after the bank resumed and before the final failure?

Ans. I will furnish such statement, to be marked "Exhibit Capital Stock Transfer Statement."

Int. 18. Will you state in an exhibit to be annexed the amount of deposits in the Pacific National Bank made by other banks between March 18, 1882, and May 20, 1882?

Ans. I will, in statement to be marked "Exhibit Statement of Deposits made by Banks," etc.

Int. 19. On May 20, 1882, when you took possession of the assets of the bank, had all the depositors named or stated in the last exhibit been paid the amount due them when the bank finally failed?

Ans. They had not.

Int. 20. Will you state whether after the bank resumed, and before May 20, 1882, the bank had paid the expenses incident to the business since the first suspension and during the period of resumption?

Ans. The bank paid incidental expenses between March 18 and May 20, 1882, of $5,777.93. How much was paid for such expenses before March 18, 1882, I am unable to state, except as to the amount paid Mr. Best for his services, which was $12,000, of which $5,000 was in cash and $7,000 in stock of the Pacific National Bank.

Int. 21. Do you know whether Daniel Needham was paid anything for his services by the bank?

Ans. He was, but I don't recall the amount. Upon reflection I wish to say that it may have been $5,500 that was paid Mr. Best in cash, instead of $5,000, as I stated in answer to the last question.

85 Int. 22. Can you state the amount of the indebtedness which was not extended under the agreement of Jan. 2, 1882?

Ans. The total amount of indebtedness to individual depositors and banks March 18, 1882, was $3,261,976.75. The aggregate of extensions found by me in the bank is $2,104,931.26, leaving $1,157,045.49 apparently not extended.

Int. 23. State whether, after the bank resumed business, March, 1882, it paid any creditors in full who did not extend.

Ans. Some were paid in full.

Int. 24. Can you determine how much, or about how much, was paid out to creditors who did not extend after the bank resumed?

Ans. I cannot.

Cross-examination by A. P. GOULD, Esq., of counsel for complainant:

Cross-int. 25. Was not a large portion of the paper mentioned in your answer to Int. 2, amounting to $354,321.13, renewed between March 18 and May 20, 1882?

Ans. A large amount was doubtless renewed.

Cross-int. 26. You mean that they were renewals of paper which the bank had out under rediscount before March 18, do you not?

Ans. I mean to say that a large part of the rediscounts represented by the figures I have given, $354,321.13, was unpaid at maturity, taken up by the Pacific Bank, and renewed by the makers; but I do not mean to say that the identical paper, or paper made by the same parties, was again rediscounted at the banks that had previously held the paper; in other words, when they were renewals the new paper was put in different banks.

(Answer objected to by counsel for complainant as not responsive.)

Cross-int. 27. Were there any losses on new loans made by the Pacific Bank between March 18 and May 20, 1882?

Ans. There were none.

Cross-int. 28. Please state, if you have it before you, the exact amount of the indebtedness of the bank when you took possession.

Ans. The amount was $2,470,356.76.

Cross-int. 29. You say in answer to Int. 19 that all the de-
86 posits stated in your exhibit annexed to your answer to Int. 18 had not been paid May 20, 1882. Do you know what proportion of them had been paid?

Ans. I referred in that answer to the balance due to banks March 18, 1882, and not to the deposits made later by banks. As to the latter, I have no present information. I wish to make a correction in my answer to Int. 19. I understood the question then asked me to refer to balances due to banks at the time of resumption, March 18, 1882, and not to those mentioned in the schedule annexed to Int. 18.

Adjourned.

OCT. 18, 1884.

Cross-int. 30. Are you able to state what parties hold the $75,000 of unpaid notes which were rediscounted?

Ans. My books will show; I cannot state without referring to them.

Cross-int. 31. Can you state what parties held those notes, March 18, 1882, or the notes which were given in renewal of the $75,000 unpaid?

Ans. I cannot.

Cross-int. 32. Please state the amount of cash or cash items that was in the bank March 18, 1882, as near as you can.

Ans. I find on book entitled state of the bank No. 2 that the cash and cash items and balances due from other banks on March 18, 1882, aggregated $859,767.35.

(Competency of the testimony which gives the contents of the books of the bank is not objected to.)

LINUS M. PRICE.

Attest: JOHN G. STETSON, *Examiner.*

87 *Exhibit Statement of Deposits Made by Banks, etc. J. G. S., Ex'r.*

Deposits made by banks between M'ch 18, '82, and May 20, '82.

Newton Savings Bank		$368 06
Stoneham " "		1,578 99
Gardner " "		100 00
Cambridgeport Nat'l Bank		35,470 45
Athol " "		81 17
Old Lowell " "		2,173 10
Plymouth " "		618 51
Union Market Nat'l Bank,	Watertown	36,224 14
Sagadahock Nat'l Bank,	Bath, Me.	226,818 06
Bath Nat'l Bank,	Bath, Me.	138,902 63
Veazie Nat'l Bank,	Bangor, Me.	711 78
Merchants' Nat'l Bank,	Bangor, Me.	1,266 05
Granite " "	Augusta, Me.	18,720 85
Lime Rock " "	Rockland, Me.	9,500 00
Newport Savings Bank,	Newport, Me.	14,463 67
Thomaston Nat'l B'k,	Thomaston, Me.	32,082 45
Georges " "	" "	1,228 51
Pacific " "	San Fran., Cal.	1,145 75
Bucksport " "	Bucksport, Me.	35,019 81
Merchants' " "	Dayton, O.	27 50
Biddeford Sav's "	Biddeford, Me.	110 00
" Nat'l "	" "	76 85
Louisville Banking Co.,	Louisville, Ky.	175 00
Continental Nat'l Bank,	N. Y.	3,454 03
James Dunning, banker,	Bangor, Me.	130 00
Merchants' Nat'l Bank,	Newburyport	562 19
Mechanics' " "	"	16,253 42
Central " "	Boston	75,000 00
Commercial " "	Dubuque, Iowa	171 91
		$652,434 88

88 *Exhibit Capital Stock Transfer Statement. J. G. S., Ex'r.*

Transfers of stock of Pacific National Bank from November 18, 1881, to May 20, 1882.

Date.	Transferred by—	Transferred to—	No. shares.
1882.			
Feb. 13	Ellen L. Frost	George S. Trowbridge	10
13	Ellen L. Frost	Ellen L. Meacham	10
13	Lewis Coleman	Abner Coburn	100
13	Emma Lewis Coleman	Abner Coburn	50
23	B. F. Parrott	Lewis Coleman	10
Mar. 18	Lewis Coleman	James G. Butrick	50
20	E. W. Colburn	Geo. B. Talbot, as coll.	16
23	Dustin Lancey	Newton Savings Bank, as coll.	10
23	Louisa A. Lancey	Newton Savings Bank, as coll.	10
23	Home Nat. Bank	Newton Savings Bank, as coll.	20
23	N. B. Johnson	Newton Savings Bank, as coll.	20
25	John P. Taylor	Wm. J. Best	20
27	B. F. Parrott	Wm. J. Best	10
27	Wm. J. Best	Maggie L. Best	10
27	Wm. J. Best	Wm. E. Best	10
Ap'l 4	Edmund Daniels	Timothy Remick	10
4	Matilda S. Phelps	Timothy Remick	10
7	E. C. Taft	Helen W. Taft	20
7	E. C. Taft	Helen W. Taft	19
8	Elise K. Goodnow	Lottie A. Best	10
8	W. R. Ilsley	Walter L. Frost	5
8	W. R. Ilsley	John A. Remick	10
8	Will. Aspinwall, trustee	Worcester County Inst. for Savings, as coll.	50
18	H. H. Campbell	J. W. Hobart, as coll.	70
19	Martha L. B. Stoddard	Isaac N. Stoddard	5
26	Sophia H. Langdon	Geo. L. Treadwell	5
26	Fanny P. Treadwell	Geo. L. Treadwell	5
May 4	Mary E. Williams	Wm. J. Best, trustee	10
4	C. A. Rice	Wm. J. Best, trustee	10
4	Martha G. Woodbury	Wm. J. Best, trustee	10

89 It is agreed that the foregoing "statement of certain facts admitted by both parties," together with all the exhibits annexed thereto, shall apply to and may be used by either party in each and every action at law now pending wherein Linus M. Price, receiver, is plaintiff and the alleged stockholders of the Pacific National Bank of Boston are the several defendants, and also in each and every suit in equity which is now pending, or may be hereafter commenced, by the alleged stockholders severally against said Price to restrain him as said receiver from prosecuting said actions at law, the parties reserving the right to object to the legal competency of any or all the foregoing facts, and either party being at liberty to introduce any other evidence he may see fit.

It is further agreed that the foregoing depositions of Richard Stone and Linus M. Price, taken in the case of Charles E. Morrison

against Linus M. Price, receiver, No. 2033, equity, together with the exhibits annexed thereto, may be introduced by either party as evidence in each and every action at law brought by said receiver against said alleged stockholders and in each and every suit in equity which is now pending, or may be hereafter commenced, by the alleged stockholders severally against said Price, receiver, to restrain him from prosecuting said actions, subject, however, to all legal objections as to the competency and relevancy of said testimony, and subject to the special objections appearing on the face of said depositions.

(Signed in duplicate.) A. A. RANNEY, *For Receiver.*
BENJAMIN N. JOHNSON,
For Various Parties for Whom he Appears.

90 EXHIBIT 18.

Bill of Complaint. (*Filed Dec.* 20, 1883.)

Circuit Court of the United States, District of Massachusetts. In Equity.

LINUS M. PRICE, Receiver,
v.
LEWIS COLEMAN *et al.* } No. 1964.

Sections 2, 19, 20, and 21.

2. That at the time when said banking association was found and declared to be insolvent, and your orator was appointed a receiver as aforesaid, it was deeply and hopelessly insolvent, and had committed many acts of insolvency prior thereto, the whole capital stock paid in up to that time had been exhausted, wasted, and lost, together with all surplus theretofore accumulated, if any; that the indebtedness of said bank, as proved before your orator as receiver, was not less than $1,953,218.17, and there was, in addition, a large amount of indebtedness which has been presented for proof, and, being in dispute, is not yet allowed, the same being not less than $470,176.96; that it is claimed and contended by the shareholders that the last increase of the capital stock was illegal and void, and that those who paid for the new shares in that increase have a valid demand for the recovery of what was paid therefor to the amount of about $461,300; that this is denied by your orator, and the question is in dispute and as yet is unsettled; that your orator has proceeded to close up the affairs of said bank and to collect, sell, and dispose of the assets of the same, but has been able thus far to realize only about $185,266.84 out of the same, and, according to his estimation and judgment, what remains uncollected and not disposed of will not exceed in value $289,032.16; that all of the assets, when collected and disposed of, will not be sufficient to pay the indebtedness of the bank to its creditors, but will fall short thereof to the amount of about $1,500,000, as he, your orator, judges and therefore avers, and there will be nothing with which to pay the indebtedness to the stockholders, or

any part thereof; that it became necessary for the said Comptroller of the Currency, and he did adjudge and order, on or about the twenty-seventh day of November, 1882, in pursuance of the provisions of the acts of Congress in that behalf made, that the individual liability of the stockholders of said association should be enforced, and accordingly an assessment of one hundred per cent. on the par value of the capital stock was made and ordered to be collected, but none of the same has as yet been paid, and payment

91 thereof is resisted, and suits have been brought to recover them, which are now pending; that on or about the tenth day of January, A. D. 1882, the bank made a voluntary assessment of its shareholders, and called upon them to pay in an assessment of one hundred per cent. on the par value of the stock for the purpose of making good and restoring the prior capital stock which had been impaired and, in fact, exhausted and lost, this last assessment being a voluntary one, and the sum of $742,800 or thereabouts was paid in in cash as the, or a part of the, said voluntary assessments, but the rest remained unpaid on the twenty-second day of May, A. D. 1882, and has never been paid to your orator since then; that the money collected upon said voluntary assessments was exhausted and paid out to creditors and in expenses before said May 22, A. D. 1882; that the shareholders who paid the said voluntary assessment as aforesaid contend and claim that the same was illegal and void, and some or all of them contend that the sums paid thereon constitute an indebtedness against the bank, which your orator, however, denies; that the assessments made by the order of said comptroller, if collected, will be insufficient to pay the indebtedness of the bank when added to the avails of the said assets which have come into the possession of your orator as receiver as aforesaid.

92 19. And your orator further alleges and shows that under the Revised Statutes of the United States and the acts of Congress relating to national banks it was the duty of the said bank, when its capital stock became impaired by reason of losses by bad debts or otherwise, to pay up the deficiency in its capital stock or to go into liquidation, and by the acts of Congress and its articles of association the said bank had power to dissolve itself and go into liquidation at any time by the vote of its shareholders owning two-thirds of its stock, and it was the duty of the directors of the said bank to make frequent examinations into the affairs of said bank and to ascertain from time to time whether its capital stock had been impared in any manner, and to report the fact, if it existed, to the stockholders of the said bank and to the Comptroller of the Currency of the United States; that on or about Sept. 13, 1881, and long before that date, just how long your orator does not know, the surplus and undivided profits of the said bank, then and for some time thereafter nominally standing upon the books of said bank, had been in fact exhausted, and the capital stock of the said bank had been impaired and in fact wholly lost through losses by bad debts and by loans improvidently made by the officers of said bank to sundry persons, as hereinbefore and hereinafter more particularly shown; that the said fact was either known to the said directors of the said bank

then in office or could have been ascertained by them by an examination of the books and affairs of said bank; that a proper examination by the said directors then in office would have demonstrated the fact that of the time paper of said bank called "notes discounted" on the books thereof, aggregating $2,438,586.36, which stood and figured in the statement of said bank as good assets, over $500,000 thereof was utterly worthless, and another portion thereof, to the amount of over $500,000 more, was of uncertain and doubtful value and not likely to be realized in money to any great extent; that by reason of the failure of said bank, its officers and directors, to
93 keep or have kept a record of the items constituting what was called the "demand or temporary loans," as styled on the books of the said bank, and which, on the said thirteenth day of September, 1881, aggregated $761,323.15, it is not possible now to classify and give the value of the same with accuracy, but from the best means of information which your orator can obtain and has he says that a large if not a greater portion of the said temporary loans was of little value, if not utterly worthless; that in fact the said bank at that time had lost its entire capital and was then insolvent, and this fact would have appeared to be so to the directors after a proper examination of the condition of the said bank and its assets; that it then became and at all times was the duty of said directors then in office to ascertain said facts (if they did not actually know the same), to report the same to the said comptroller and to the stockholders of the said bank, for their appropriate action thereon; but the said directors then in office neglected and failed to make such report, or to make the proper examinations if they did not actually know the said facts and report the result of the same, or in any manner to bring such facts to the knowledge of said comptroller or of the said stockholders, and they willfully and negligently allowed said bank to continue its business after said losses occurred and to incur other and greater losses thereafter; that they made no effort whatsoever to restore the said capital stock or to procure the impairment thereof to be made good; that, instead of doing so, they proceeded on the said thirteenth day of September to vote that said capital stock be increased from $500,000 to $1,000,000, allowing the stockholders to take the new stock under said increase at par, and said old stockholders did take the said new stock under said increase to the extent of $461,300, and the rest of said increase of stock was subsequently cancelled and not taken; that if the said facts had been communicated to the stockholders or to the said Comptroller of the Currency such increase of the capital stock would not have been made or sanctioned, and the said impairment of capital before said increase of stock was made would have been made good or said bank would have gone then in liquidation and further losses prevented; but by reason of the negligence and wrongful conduct of the said directors and their inattention to their duty aforesaid the said
94 increase of capital stock was made and the money paid in as aforesaid upon the new stock issued, the said bank was allowed to continue in business after such losses as aforesaid had occurred and the capital stock was lost and under the management of the

same officers, without any supervision, control, or directions on the part of said directors whatsoever, and further losses by bad debts, misapplication of funds, and other improvident, wasteful, and criminal acts committed by some of the officers of the said bank were incurred.

20. And your orator further alleges and shows that, independently of the said acts of Congress relating to national banks, the directors of said bank were trustees for the said bank and for its stockholders and creditors, and were bound to attend to the interests of said bank and of its stockholders and creditors faithfully, diligently, and prudently, and that it was the duty of said directors, by virtue of their position as trustees, to ascertain from time to time, by diligent inquiry into the affairs of said bank, whether said bank had sustained any losses, or whether its capital stock was impaired, and to make known such facts and the general condition of the said bank and the methods of its management to the stockholders of said bank, which duties the said directors wholly neglected and failed to perform; that, on the contrary thereof, the said directors intrusted the management of the business of the said bank almost entirely to the said Benyon and the cashier, and failed utterly to examine into and scrutinize their conduct and to exercise such scrutiny and control as their duty required in the premises; that said directors, as your orator is informed, pretend and claim that they acted in good faith, and believed in the honesty, integrity, and business capacity of said Benyon, and on that account made no examination themselves into the business of or as to the standing or condition of said bank at any time; but your orator charges that they were wanting in common prudence and were guilty of gross neglect in this particular; that said Benyon was in fact untrustworthy, and said directors by the exercise of proper diligence and the ordinary sagacity which they possessed could and would have discovered the same; that they were repeatedly and ineffectually warned against him and informed of his illegal and improper
95 conduct in the management of the bank and failed to heed the same; that they suffered him to loan the funds and moneys of the bank and to keep a record of the same in the form of a call or demand loan account, and said directors never looked into or scrutinized the same, and that this said account soon absorbed and contained a large portion of the loans of the bank; that especially when it was proposed to increase the capital stock of said bank to $1,000,000, on or about Sept. 13, 1881, it was the duty of said directors to examine into the condition of the same and ascertain how it then stood; that instead of doing so they took the statements of said Benyon; that he falsely pretended that the bank was doing a profitable business, and he desired to enlarge it, whereas in truth and in fact his object was to obtain more money with which to relieve the bank from its present embarrassments; that, in fact, the capital stock which had been paid in prior to that time had been substantially all lost; that this fact was well known, at least to said Benyon, or he had reason to so believe, and that the directors either knew or might have known it if full and proper examinations, such as was

required, had been made into the affairs of said bank; that, notwithstanding this, the said directors, on Sept. 13, 1881, voted said increase of capital stock, the old stockholders having the right to take up the new stock at par; that the actual condition of the bank was misstated to or concealed from the stockholders and the Comptroller of the Currency, and that thereby the stockholders were induced to take up the new stock at par and to pay into the bank money for the same to the amount of $461,300, and that the said increase of capital stock was accordingly authorized by the said comptroller; that the new stock was taken up to the amount of 4,613 shares, and the balance of the increase not being taken up, it was voted to cancel the same, and this was done, making the capital stock $961,300; that the bank, after obtaining the said sum of $461,300 for said new stock, continued in business till Nov. 18, 1881, when it failed; that at the time of the failure the capital of the bank had all been lost. Your orator charges that by reason of the misconduct of the said directors and their failure to discharge the duties imposed upon them (as hereinbefore and as hereinafter set forth) the stockholders of said bank lost not only their original stock as taken, but also all the moneys paid in on the two
96 several increases of the capital stock of said bank and the voluntary assessment made as aforesaid and as hereinafter set forth, and are now rendered liable to pay another assessment of the same amount as made by the comptroller as aforesaid, in order to meet the liabilities of said bank to its creditors.

21. Your orator further alleges and shows that the said bank, when it suspended or failed in November, 1881, was deeply and hopelessly insolvent; that if a full and accurate investigation of its condition and affairs had been made, with a reasonable and proper estimate of the value of its property, it would manifestly so have appeared; that one William J. Best had at that time large amounts of deposits in said bank, as had certain corporations and concerns with which he was connected and in which he had a large interest; that certain of the said directors who were in office at that time and who knew most of the condition and affairs of said bank were situated in like manner; that said Best and the said directors were largely interested in having said bank resume business and not go into liquidation, to the end that the large amount of money so deposited or on deposit, as aforesaid, might be drawn, in whole or in part, without the long delay which would occur in the event of the bank being closed up by a receiver; that besides this the directors had been accused and threatened with suits for neglect and maladministration in the previous discharge of their duties in that capacity, and it was supposed and believed that they would be relieved from such a charge and from suits based thereon if the bank resumed and continued business for a while only, although it might ultimately be forced into liquidation; that accordingly said Best set himself about the work of endeavoring to get the bank apparently into a condition and to obtain the consent of the said comptroller for said bank to resume business; that said Best was an incompetent and unfit man for the business intrusted to him; that he and said directors, who

were interested as aforesaid, proceeded to examine into the affairs of said bank and to endeavor to arrange its affairs with a view of resumption; that by their persistent efforts and endeavors they succeeded, through inflated and unwarrantable estimates put upon the values of the property of the said bank, in convincing a greater part of the stockholders of the same; that by the aid of the voluntary assessments, made as hereinbefore stated, and the money realized thereon, when paid, the impaired or lost capital of said bank would be restored, and the bank be put in a fit condition to resume business, and accordingly the said assessment was made, and a greater part of the said stockholders paid into the bank the amount of same to the extent hereinbefore stated, relying upon the representations and reports of the said Best; that the said Best and a portion of the said directors then proceeded, by urgent statements and representations, to induce the said comptroller to assent to the proposed resumption, and that the affairs and assets of the said bank, which had been put in charge of a bank examiner, Daniel Needham, upon the said suspension, might be again placed in their hands; that they succeeded, by means of representations as to the condition of the bank and the value of its assets, by a change of president and the adding of two new directors to the board in place of those who had resigned, in obtaining the consent of the said comptroller that a resumption might be attempted and tried and the assets and affairs of the bank be again put into the hands of the said directors, and this was accordingly done on or about the eighteenth day of March, 1882. But your orator alleges and charges that said bank was then hopelessly insolvent in fact, and that the condition of the same was such as not to warrant resumption, but to require said bank to be closed up in liquidation; that said comptroller was deceived by said representations and statements, and induced thereby to grant said leave, when such leave would not have been granted if statements and representations had been made according to the actual state of the facts and upon careful and correct estimates of values; that the said directors improperly intrusted the examination of the condition of the bank and the valuation of its assets to the said Best, and relied upon inflated and overdrawn statements and reports made by him of the result; that he succeeded in misleading and deceiving many of the said directors then in office, the said Needham, and the said comptroller, as your orator is informed and believes and therefore charges; that the condition of the said bank and the value of its assets and the amount of its liabilities *was* represented to the stockholders and the directors and the said Needham and the said comptroller to be as stated in the reports and communications, which are hereto annexed in copy marked "Exhibit D;" that while your orator is informed and believes that some, and perhaps most, of the directors then in office honestly believed in the truth and candor of said statements and reports, and that they were misled and deceived by said Best, and were induced to rely upon the examinations made by others, without examining and judging for themselves, certain it

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is that the said statements and representations made as aforesaid were not warranted by the facts; that the directors, in order to make the bank appear to be solvent and able to resume business, adopted valuations, made by said Best and others, very much in excess of the known real or probable value; that there was some property the value of which was raised or marked up beyond the value as it appeared on the books of the bank, and higher than the facts would warrant; that there was a list of assets deemed and represented in said statements and representations to be doubtful or bad, and, in order to make good a deficiency which would exist in case $150,000 could not be realized out of them, the directors voted and agreed to guarantee that that amount should and would be realized out of them, and this was made in the proposition communicated to the said comptroller, a condition of the resumption, and on which said leave was granted; that a bond to that effect, to be given the said bank, was promised by said directors, but the same was never perfected and given, so as to be of any validity or value, as said directors now assert and claim, and said guaranty was never complied with; that in truth and in fact the said bank gave, and said directors took, security for and against said guaranty or bonds, the said security being in the shape of real estate of the bank, or to which it was entitled, and which was conveyed, as is now alleged and claimed by said directors, to said Best in trust for them and for said purpose; that the fact of said security being given was not communicated to or known to said comptroller before said leave was given as aforesaid; that said directors were permitted to attempt a resumption and make a trial of the same upon their urgent request and on the strength of their representations, and which did not prove to be and were not in fact well founded; that they asked leave and desired to take the responsibility of the same, and were permitted by said comptroller to do so; that
99 at the same time said Needham warned them on the subject, and brought to their attention certain facts which, to prudent and wise men anxious only to do their duty without regard to their own private interests, would have shown the utter hopelessness and futility of the attempt at resumption; that they were warned and well knew that the bank had lost by said Weeks and by a settlement just made with him about $882,500; that the stock and bonds of the Nantasket company held among the assets of the bank and valued in said estimates at about $184,000 were not worth anything like that sum, and were not salable in the market; that the real estate held by the bank was greatly overvalued and not salable in the market; that the assets were very uncertain; that there was an enormous amount of liabilities which had been recognized as valid and must be met, while included among the assets there was overdue paper aggregating $780,000, sixty-eight thousand dollars of which at least was a renewal of paper previously overdue and then overdue for the second time; that $600,000, embraced in what was called "other stocks, bonds, and mortgages," was such that it could not find a ready market, at least at any such prices as they were estimated in said statements and accounts, and they were in fact of comparatively small value; that the debts due the bank and estimated doubtful, and for which

said guarantee or bond was proposed to be given, were in fact worthless substantially; that the time and demand loans, constituting the main bulk of the assets of the bank and out of which the liabilities of the bank must be met, if at all, were of far less value than was estimated and were uncertain; that the real estate included in said estimates depended upon a variable and uncertain market; that some $354,000 of the amount of said voluntary assessment had not then been paid in, and the validity of the same with the issue of said last new stock was doubted and contested by some of the stockholders; that the liability of the said bank had been just swelled by the addition of $325,000, which said sum had been just recognized as due the Central National Bank on checks held by it, and which indebtedness did not appear on the books of the said Pacific National Bank; that, notwithstanding these considerations were brought home to the knowledge of the directors, the said directors took the responsibility and proceeded to open the
100 doors of said bank and resumed business; that said directors, in doing so, were improvident, unwise, neglectful of duty, and violated the trusts imposed upon them; that, however sincere and honest many or most of the directors might have been in doing so (as they claim they were in fact), and however hopeful of success they may have been at the outset, it was soon demonstrated to them that the bank could not go on and do business successfully; that they found out and well knew this was so within two weeks, or at least a month, after their attempted resumption, and were then, at least, bound to stop and have said bank go into liquidation; that sundry suits were brought against them by several creditors, whom they would not and could not pay, and the property of the bank was attached on the writs, and, bonds being given to dissolve said attachments, said directors conveyed property of the bank to the value of about $100,000 to secure and indemnify the sureties on said bonds, thus tying the same up and depriving the bank of its use, and securing some creditors as an unlawful preference, when the bank was sure to fail and go into liquidation in the end; that the bank failed to secure again the confidence of the business community, as might reasonably have been apprehended at the outset; that they found that they could do, and did, in fact, do, very little business in banking, the bank being compelled to have rediscounted at other banks all paper discounted by it in order to put it in funds with which to meet its present liabilities; that instead of stopping and going into liquidation, as it was bound to do upon these facts appearing, the said directors proceeded to collect in all they could of the said voluntary assessments unpaid at the said time of resumption until the whole amount had been paid, except about $218,500, concealing the said facts from said stockholders until said payments were made; that between the said time of resumption and the time when said receiver was appointed the said bank paid out in expenses and to creditors substantially all of its available assets, including all the moneys collected on said assessment since it was made, without increasing the assets of the bank in any respect, or earning or making any considerable amount of money by new busi-

ness; that a considerable amount of the indebtedness of the bank as it stood at the time of resumption (just how much your orator
101 is now unable to state more fully) was paid in full, thus preferring such creditors over others when the bank had committed acts of insolvency and was then insolvent, and which was in violation of law; that the said bank, during that time, did not keep or have the amount of reserve required by law, and violated the law in that respect also.

Your orator charges that said directors then in office were guilty of gross negligence and a violation of duty in that they did not ascertain and communicate the facts to the creditors and the stockholders of the said bank and put the bank into liquidation; in that they undertook to resume business as aforesaid at all, and when they had resumed; in that they did not stop business when it was first fully discovered that the bank was still insolvent and could not succeed in its attempted resumption, and go into liquidation, or make the facts known to said comptroller, instead of going on and using up and wasting all of the available assets of the bank with the results hereinbefore set forth more fully; that their conduct in this respect caused great loss to the stockholders and some of the creditors of said bank, for which said directors then in office are responsible, and of which your orator prays an account may be taken under the direction of this court.

102 The following addition to the agreed statement of facts is agreed to by the parties:

Addition to General Agreed Statement of Facts.

The following facts are agreed to be true, subject, however, to all legal objections.

All those who subscribed to the $500,000 increase, voted by the directors September 13, 1881, did not pay the assessment upon any increased capital. The assessment was paid, however, by a large majority of them in number and amount.

The last payment upon the voluntary assessment was made May 18, 1882. This payment was one of $4,000, and was made by the Ipswich Savings Bank.

When the bank suspended, November 18, 1881, William J. Best, as trustee, was a creditor of the bank to the amount of $3,114.93, and was president of a corporation which was a creditor of the bank to the amount of $251,907.50.

A. A. RANNEY,
Att'y for L. M. Price, Rec'r.
BENJAMIN N. JOHNSON,
For Complainants.

103 The following is the evidence, in addition to the agreed statement of facts, used at the hearing of said cause before said circuit court:

Evidence for Complainant, taken Pursuant to the Sixty-seventh Rule of the Supreme Court of the United States, in Equity, as amended, before me, John G. Stetson, Examiner.

BOSTON, *June* 17, 1885.

Present: Albert P. Gould, Esq., and Benjamin N. Johnson, Esq., of counsel for complainant; A. A. Ranney, Esq., of counsel for defendant

Deposition of John P. Delano.

Direct examination by ALBERT P. GOULD, Esq., of counsel for complainant:

Int. 1. Please state your name, age, residence, and occupation.

Ans. John P. Delano; fifty-nine; Bath, Me.; master mariner, but have not been at sea for the last six or seven years.

104 Int. 2. Please state whether you were the owner of any shares in the Pacific National Bank, of Boston, before the vote of the directors to increase the capital to $1,000,000 was passed in September, 1881; and, if so, how much stock.

Ans. I was the owner of thirty shares.

Int. 3. Please state whether you received any notice from the directors of the vote to increase the capital from $500,000 to 1,000,000; and if so, have you that notice in your possession?

Ans. I received that notice, but I haven't it now.

Int. 4. What did you do with it?

Ans. I think there was a blank for a subscription attached to it, and I signed for the stock and returned it to the bank, either directed to the cashier or president; I can't say which.

Int. 5. For how much new stock did you subscribe and return to the bank?

Ans. Thirty shares.

Int. 6. Please examine Exhibit 4, annexed to the agreed statement of facts in this case, and state whether that is a copy of the notice from the bank of the increase of stock.

Ans. This is a copy of the notice that I received, but there were blank lines on the original at the foot of the notice on which I wrote my subscription.

Int. 7. Did you pay that subscription for thirty shares of new stock; and, if so, when?

Ans. I paid it Sept. 16, 1881, and received a receipt therefor, which I now produce.

Int. 8. Please hand it to the examiner to be annexed to your deposition.

Ans. I do so.

(Receipt is marked "Exhibit A. J. G. S., Ex'r," and put in evidence.)

EXHIBIT A. J. G. S., Ex'r.

BOSTON, *Sept.* 16, 1881.

Received of John P. Delano three thousand dollars on acct. Subscription to new stock.

$3,000. J. M. PETTENGILL, *Cashier.*

105 Int. 9. What did you do with that receipt?

Ans. I returned it to the bank and received the certificate No. 780 for thirty shares of stock, dated Oct. 1, 1881, which I produce, and authorize its annexation to my deposition.

(Certificate is put in evidence and marked "Exhibit B. J. G. S., Ex'r.")

EXHIBIT B. J. G. S., Ex'r.

No. 780. 30 shares.

The Pacific National Bank of Boston, Massachusetts.

This certifies that John P. Delano, of Bath, Me., is proprietor of thirty shares in the capital stock of the Pacific National Bank, of Boston, Mass.

Transferable only on the books of the said bank, in person or by attorney, on surrender of this certificate.

Boston, Oct. 1, 1881.

J. M. PETTENGILL, *Cashier.*
A. I. BENYON, *President.*

(Across the face of above certificate is written:)

BOSTON, *Jan.* 23, 1882.

An assessment of one hundred per cent. has been paid on this certificate.

J. M. PETTENGILL, *Cashier.*

Int. 10. When you paid for those thirty shares or when you received your certificate of them, did you know that the $500,000 increase of capital had not been all taken and paid in?

Ans. I did not know that it had not; I supposed it had.

Int. 11. State whether you paid the money and received the certificate in the belief that the increase of the capital to $1,000,000 had been regularly and legally made.

Ans. I did.

Int. 12. Did you attend the annual meeting of the stockholders of the Pacific Bank, held Jan. 10, 1882?

Ans. I did not.

Int. 13. State whether at any time you received notice that an assessment upon all the stock of the Pacific National Bank
106 of one hundred per cent. had been made; and, if so, state the time you received such notice.

Ans. I received notice about the 12th or 13th of January, 1882; it was a printed notice.

Int. 14. Have you that notice now?

Ans. I have not.

Int. 15. Have you made search for it?

Ans. I have, and have not been able to find it.

Int. 16. State what you did pursuant to that notice.

Ans. I consulted with several, among others Thomas M. Reed, of Bath, who was a stockholder to amount of $50,000, and Arthur Sewall, of Bath, who was a large stockholder and a director in the bank.

I asked Mr. Reed if there would be any further liability after paying this assessment. He told me he should pay on his stock, and, from the best advice he could get in Boston of counsel, there could be no further assessment on the stock if this was paid.

Mr. Sewall told me that the directors had advice from counsel in Boston, and from their advice he was positive there could be no further assessment legally made on the stock if that was paid.

In consequence of that advice I paid, Jan. 20, 1882, three thousand dollars, and had it indorsed on my certificates of old stock, No. 232 for seven shares, No. 261 for eight shares, and No. 340 for fifteen shares. On each certificate this endorsement was made: "Boston, Jan. 20, 1882, an assessment of one hundred per cent. has been paid on this certificate. J. M. Pettengill, cashier." On Jan. 23, 1882, I paid three thousand dollars assessment on the new stock, and had a similar indorsement made, as appears on Exhibit B.

Int. 17. At the time you paid the assessment on the new stock had you any knowledge, or had you ever in any way been informed, that the increase of the capital stock of the bank from $500,000 to $1,000,000 had not all been taken and paid in?

Ans. I had not.

Int. 18. Did you then suppose and believe that the increase had been regularly made to a million dollars?

Ans. I did.

107 Int. 19. So far as you can recollect when did it first come to your knowledge that such was not the fact?

Ans. I can't fix the time of that. I noticed that in the paper after the bank went into the hands of a receiver and had never had any information of it before.

Int. 20. When, if ever, were you first informed of the action of the board of directors and the Comptroller of the Currency which took place in December, 1881, whereby an attempt was made to fix the capital stock of the Pacific Bank at $961,300?

Ans. I never had any information of that till after the bank went into the hands of the receiver.

Int. 21. What was your object or motive in paying the assesment of one hundred per cent. upon the shares represented by the certificates which you have produced here?

Ans. I paid to clear my liability under the banking law, as I supposed I was liable to the payment of one hundred per cent. towards the payment of the debts of the bank.

Int. 22. When you made that payment what did you believe its effect would be upon your liability?

Ans. I believed it would clear me of any further liability.

Int. 23. Would you have made the payment if you had not so believed?

Ans. No.

Int. 24. At the time you made that payment did you know what, if anything, appeared upon the stock ledger of the Pacific Bank respecting your ownership of stock?

Ans. I did not know what was on the stock ledger. I never had seen it, and have not seen it yet.

Int. 25. Did you then know, or had you been in any way informed, that an entry had been made upon any of the records or books of the bank that you were the owner of thirty shares of the new stock?

Ans. I had no information of the matter at all.

Cross-examination by A. A. RANNEY, Esq., of counsel for defendant:

Cross-int. 26. Did you receive notice of the stockholders' meeting on Jan. 10, 1882?

108 Ans. I didn't receive any notice to myself direct; I saw the notice in the paper.

Cross-int. 27. Did you attend the meeting?

Ans. I didn't.

Cross-int. 28. Did any one from your place attend the meeting to your knowledge?

Ans. My impression is that Mr. Sewall was there; I didn't know of any one else. Being a director I suppose he was.

Cross-int. 29. Were you informed of what they did at that meeting, from any one; if so, from whom?

Ans. I had no information with regard to it, except getting a notice in two or three days stating that there was an assessment on the stock.

Cross-int. 30. Did you read an account of it in any paper; if so, in what one?

Ans. I generally take the Boston Daily Advertiser, and I read what was published in that paper at that time.

Cross-int. 31. Did you come to Boston when you paid your assessment, or where did you pay it, and how?

Ans. I paid it by two checks from Bath, payable to the order of the president or cashier; I can't say which.

Cross-int. 32. Did you take any pains to ascertain what had been done at the stockholders' meeting at which that assessment was laid before you paid the assessment?

Ans. Well, I took pains to inquire if that would relieve me of any further liability.

Cross-int. 33. And your inquiry was made of your neighbors who were connected with the bank, and not of any one else, was it?

Ans. My inquiry was made of Thomas M. Reed for one, who was a large stockholder in the bank; also of Mr. Sewall, of Bath, who was a stockholder.

Cross-int. 34. You knew that an attempt was being made, didn't you, to resuscitate the bank and put it in condition to go on with business, and that this was the object of the assessment?

Ans. I understood this assessment to be to pay the liabilities of the bank, and that if the bank could afterwards go on with business I supposed they would try and do so after they paid their liabilities.

109 Cross-int. 35. You understood that an effort was being made to save the bank, didn't you?

Ans. I understood this effort to be to pay the liabilities of the bank; after that I supposed the stockholders could do as they chose about continuing business.

Cross-int. 36. Did you ever go to see what condition the bank was put into after the assessments were paid?

Ans. I did not.

Cross-int. 37. You heard or were informed, were you not, in some way that the bank had resumed business?

Ans. I heard that the bank resumed business some time in March, 1882; I don't know as that is the exact time.

Cross-int. 38. You knew, did you not, or were informed that in the process of resumption some Maine men had been put in as directors; and, if so, who were those Maine men?

Ans. I don't know who the directors were; I knew one—Mr. Sewall, of Bath; that is the only one of the directors that I knew; Mr. Sewall had been a director then for several years; I don't know how long; he had been a director for two or three years.

Cross-int. 39. Didn't you know that Capt. Samuel Watts went on as a director, or didn't you hear so?

Ans. Very likely; I might have seen Capt. Samuel Watts' name in the paper as a director; I can't say about that now.

Cross-int. 40 (*de bene*). Didn't you suppose that by the paying of the assessment and enabling the bank to resume it would make your stock worth something when it wouldn't be without it?

Ans. I supposed I was liable for that assessment and would have to pay it, provided I had property enough to pay it; I supposed with that assessment the bank might come out better than it would in the hands of a receiver.

Cross-int. 41 (*de bene*). Didn't you learn from Mr. Sewall, when you inquired of him, that the bank would be able to go on and would be able to do business, and that it would prevent its going into the hands of a receiver?

Ans. I never heard Mr. Sewall say anything about the bank going on. Mr. Sewall advised paying, as I was liable to it, and

110 would have to pay the hundred per cent. assessment, and advised paying it now.

Cross-int. 42. Are you now, or have you ever been, connected with a national bank as a director or otherwise?

Ans. I am a director of one of our small banks, and have been for four or five years.

Cross-int. 43. Were you a director at the time you paid the assessment?

Ans. I was.

Cross-int. 44. Were you at the time you took the new stock?

Ans. I was

Cross-int. 45. Did you ever take any pains to ascertain the proceedings of the directors of the Pacific National Bank in regard to the increase of the stock made in 1881?

Ans. No; I can't say that I took any particular pains.

Cross-int. 46. State whether you ever did anything to ascertain what had been done with regard to the increase of stock made in September or December, 1881, either by the directors or the Comptroller of the Currency.

Ans. No; I never took any steps to find out; whatever information I had in regard to it I got from the newspapers.

Direct examination resumed:

Int. 47. Please state whether you ever read anything in any newspaper relating to the action of the board of directors or the Comptroller of the Currency, which took place in December, 1881, by which it was attempted to fix the capital stock of the Pacific Bank at $961,300, prior to the appointment of Receiver Price.

(Objected to as leading and incompetent.)

Ans. No; I did not know of that action until I saw it in connection with these suits.

Int. 48. Was there any mention made of that fact in the Boston Advertiser, prior to your payment of your assessment, that you read, or to your knowledge?

(Same objections.)

Ans. There was not to my knowledge.

Int. 49. Did you learn from any source, after receipt of the
111 notice in September, 1881, as you have stated, that the stock had been increased from $500,000 to $1,000,000, and, before you paid your assessment, that any action had been taken by the directors or the comptroller to modify that increase?

(Objected to as leading and incompetent, and because there could be no increase of stock until the comptroller had authorized and allowed it.)

Ans. I did not.

Cross-examination resumed:

Cross-int. 50. I understand you to have taken the Boston Daily Advertiser as a regular subscriber through the years 1881 and 1882; am I right?

Ans. I did.

Cross-int. 51. It was the only Boston paper that you did take?

Ans. Yes.

Cross-int. 52 (*de bene*). Have you looked to see what there was in the Boston Daily Advertiser, between September, 1881, and May, 1882, in relation to the doings of the stockholders or directors of the

Pacific National Bank, or in any way relating to the affairs of said bank?

Ans. I haven't looked over the papers of that date, as I remember, since the time went by.

JOHN P. DELANO.

Attest: JOHN G. STETSON,
Examiner.

112 *Evidence for Defendant, Taken Pursuant to the Sixty-seventh Rule of the Supreme Court of the United States, in Equity, as Amended, before me, John G. Stetson, Examiner.*

BOSTON, *July* 25, 1885.

Present: Benjamin N. Johnson, Esq., of counsel for complainant; A. A. Ranney, Esq., of counsel for defendant.

Deposition of Linus M. Price.

Direct examination of A. A. RANNEY, Esq., of counsel for defendant:

Int. 1. Please state your name, and if you are the receiver of the Pacific National Bank, of Boston?

Ans. Linus M. Price; I am.

Int. 2. State whether, when you assumed the duties of receiver, the books of the Pacific National Bank came into your hands?

Ans. They did.

Int. 3. If you have the stock ledger or the official register of the stockholders of the bank, please produce the same.

Ans. I have the stock ledger and I produce it.

Int. 4. Turn to the stock ledger produced and read the same so far as relates to John P. Delano, the complainant in this suit.

Ans. On page 53 is the following:

John P. Delano, Bath, Me.

1879.				
Jan. 17.	By 5 shares		5	500
Jan. 17.	By 2 shares		2	200
112½ May 13.	" 1 "		1	100
" 13.	" 7 "		7	700
1880.				
Jan. 1.	By 15 shares		15	1,500
1881.				
Oct. 1.	" 30 "		30	3,000

Int. 5. Will you state whether the Pacific National Bank left any other official register of the stockholders than the stock ledger which you have produced?

Ans. I never saw any other.

Int. 6. Whether any one came into your hands other than that?

Ans. No.

Int. 7. State what the book which you produce purports to contain.

(Objected to.)

Ans. It purports to contain a complete record of the stockholders, or the stock standing in the name of the stockholders, at the time of the failure of the Pacific National Bank.

Int. 8. I see it is marked and you call it a "stock ledger." Look and see if it is a ledger that purports to be posted from any journal; and, if so, state from what journal.

Ans. The book is marked "Stock Ledger No. 1," and it is probably posted from the book known as the transfer book.

(Answer objected to as stating probabilities and not what is known to the witness.)

Int. 9. Have you the transfer book to which you refer; and, if so, will you produce it?

Ans. I have, and will produce it. It is at my office, and I have sent for it, and it will be here soon.

Int. 10. Will you state whether there came into your hands, among the other books of the bank, a certificate book or books; and, if so, will you produce it or them?

Ans. I found two books entitled "Stock Certificates," which I produce.

Int. 11. State what they purport to be and to contain.

(Objected to.)

113 Ans. They were originally blank stock certificates which were filled out in the usual form, with the name of the stockholder who originally subscribed or afterwards purchased stock, and the certificates as issued are represented by stubs containing the number of the certificate, its date, and to whom issued.

Int. 12. Will you please state what you find in said certificate book relating to stock issued to said John P. Delano?

Ans. I find a stub corresponding to the entries on the stock ledger down to the last entry of Oct. 1, 1881, the stub corresponding to which is as follows:

"30.
No. 780.
Date, Octo. 1, 1881.
Issued to John P. Delano, of Bath."

And a memorandum in pencil:
"Sent by mail Jan. 26."

Int. 13. Please state whether the books show from whom John P. Delano aforesaid got the rights to the stock taken?

Ans. I found no record of sale or transfer of rights to new stock.

Int. 14. State whether this is one of the books which came into your hands, as receiver, with the books and papers of the Pacific National Bank.

Ans. It is.

Int. 15. State what it purports to contain.

(Objected to.)

Ans. It purports to contain a record of sales and assignments and transfers of stock by the sellers to the purchasers.

Int. 16. Turn to the book and see whether there is anything there showing a transfer to John P. Delano.

Ans. I find transfers corresponding to the entries in the stock ledger amounting to thirty shares. I find no transfer corresponding to the last entry of Oct. 1, 1881, of thirty shares, that being new stock.

Int. 17. State what amount of deposits there was made in the bank by parties other than national banks and savings banks between the time when the bank resumed in March, 1882, and the time when it failed on May 20, 1882. In answering, please give a list of the depositors and amounts, and annex it to your deposition.

114 Ans. The amount was $2,388,617.21. I furnish a list as follows:

List of Depositors and Amounts Deposited Between March 18 and May 20, 1883.

Thomas Aspinwall	$40 79
Charles Armstrong	1,360 00
W. O. Arnold	1,499 75
Boston & Breckenridge Smelting Co.	50 00
C. W. Baldwin	5,642 88
L. H. Baldwin	2,885 28
Black Band Iron & Coal Co.	23,994 01
Emery Bemis, Jr.	2,011 57
W. J. Best, trustee	28,810 00
Augustin S. Bemis	2,066 89
Wm. A. Blanchard	225 00
J. F. Bowditch	9,358 92
C. C. Bragdon	39 53
Bergheim Bros.	1,402 90
L. D. Boise & Son	3,773 70
Brunswick Berth Co.	1,637 26
Sidney, Bun & Co.	190 00
W. C. Boardman	1,161 88
Isaac H. Boardman	1,157 74
M. P. L. Butterfield	55 83
Boston & Eureka Mining Co.	1,019 35
Boston Marine Insurance Co.	15,000 00
Boston Loom & Strap Co.	878 82
Boston Suspender Co.	4,046 55
Carter & Brugh	9,332 31
C. N. Carter & Co.	42,471 41
M. W. Carr & Co.	881 54
Carruth & Dearborn, trustees	7,600 00
L. E. Chase	2,985 15
Dwight Chester	50,016 30
Lewis Coleman & Co.	198,326 88
Continental Stained Glass Works	145 73
James W. Cofren	1,327 47
E. T. Colburn	2,400 00

	Coburn Brothers	$52 00
	N. H. Coleman & Co.	9,924 20
	Russell H. Conwell, tr.	1,326 61
	Cook & Aldrich	318 00
	E. T. Cushman	18,067 20
	Cutter Tower Company	2,460 44
	James P. Chaplin	90 00
115	G. F. Daniels & Co.	1,534 36
	Luther H. Dana	132 20
	Wm. S. Denny	3,677 97
	E. K. Dunbar	11,299 72
	Thomas Dalby & Co.	2,000 00
	S. Danforth & Co.	2,861 82
	F. A. Dearborn	6,473 17d
	George Dexter	1,395 55
	Charles Draper	8,146 24
	I. S. Dillingham	723 90
	Downs & Adams, Silk Man'f. Co.	13,339 22
	M. Dyer, Jr., treas.	15,500 00
	T. C. Dunn, treas.	4,798 89
	Geo. H. Dupee	1,050 41
	L. C. Durkee	8,993 04
	M. Dyer, Jr.	36,445 21
	Lon Dinsmore	2,279 66
	Geo. W. Dresser, trustee	2,955 00
	M. B. V. Edgerly	141 03
	Jesse P. Eddy & Co.	20,502 43
	Ellis & Putnam	16,000 00
	Geo. R. Eager	400 00
	J. S. Eastman	575 60
	A. H. Eayrs	1,141 80
	H. C. Edwards	511 00
	A. J. Foster, adm.	949 22
	L. L. Fuller	2,437 15
	Geo. H. Frost	6,000 00
	H. A. Fobes	187 32
	Foster & Pierce	1,978 25
	W. B. Fowle	34,593 21d
	Fowle & Carroll	1,500 00
	Fitchburg R. R. Co.	112 47
	Annie S. Fuller	70 00
	Ford & Godfrey	1,323 70
	J. K. Fuller	15,434 45
	J. B. Fuller & Co.	10,717 58
	Geo. A. Goodyear	1,680 92
	W. H. Garfield	2,114 11
	W. P. Graham	2,103 55
	C. E. Galacar	704 79
	Wm. B. Gale	4,279 15
	J. R. Graham	101 17
	J. L. Greenleaf	5,285 67

	H. C. Goodspeed	$1,808 05
	John P. Gale	1,663 93
	Wm. L. Gregg	1,607 94
116	Hallet & Davis Piano M'f'g Co.	39,213 21d
	Geo. T. Hall & Co.	2,435 26
	J. W. Harris & Co.	6,291 18
	R. C. Hannah	2,642 78
	H. S. Hartley & Co.	245 00
	Geo. S. Harwood	350 00
	Jas. A. Hayes	52 50
	Haynes Brothers	3,946 86
	Hills & Bullins	5,543 50
	C. S. Hill	862 18
	S. Hushburg & Bro.	13,840 17
	L. Hodsdon	340 21
	C. W. Holden	3,276 90
	J. W. Hobart, receiver	3,271 91
	Hibbard Antimony Co.	7,948 89
	E. N. Hunting	2,941 17
	H. A. Hussell	3,200 00
	Orin Hawkes	150 00
	Isaacs & Co.	754 80
	C. D. Jenkins	76 88
	Jenkins & Co.	110 00
	J. A. Jackson	7,040 66
	L. A. Jones	280 00
	O. S. Knapp, treas.	7,399 80
	W. H. Knowles	289 52
	Kimball Brothers	33,146 50
	E. R. Knapp	5,239 00
	W. L. Knox & Co.	66 00
	Kankakee River Imp. Co.	68 00
	Kelly & Co.	2,066 35
	C. C. Lane	12,017 34
	J. F. Levin & Co.	397 17
	Dustin Lancy	170 00
	Alfred Laws	353 32
	Lee & Shepard	8,463 28
	Henry Lunt	245 00
	C. A. Linnemann	3,592 15
	W. L. Libby & Son	13,180 91d
	C. M. Litchfield	778 23
	Wm. H. Leatherbee & Son	3,042 57
	L. E. Lewis, ag't	285 07
	S. D. Leavitt	2,030 89
	S. G. Lane	336 67
	Edward Merrill	2,256 25
	F. E. Merriam	3,950 16
	H. McLaughlin	1,000 00
	L. K. Mather	3,323 26
117	Geo. T. McLaughlin	4,422 78

	Nathan Matthews	$11,200 00
	Mann & Soule	5,057 92
	T. H. Matthews & Co.	931 98
	F. S. Mansfield	9,459 31
	W. H. Milliken & Co.	18,554 92
	D. T. Mills	9,077 89
	O. D. Mooney	1,250 00
	C. E. Morse & Co.	320 63
	A. P. Moore	75 00
	James T. Moore	493 00
	Midland Imp. and Const. Co.	236,009 00d
	G. W. Munroe	4,210 00
	N. H. Chemical Pulp Co.	1,196 96d
	N. E. Relief Association	160 00
	N. E. Pressed Brick M'f'g Co.	3,096 16
	J. H. Nelson	180 30
	Nonantum Worsted Co.	67,478 80
	Levi Newcomb	463 50
	J. S. Newell & Co.	6,517 18
	W. H. Nichols & Co.	7,058 00
	Rufus J. Paine	95 00
	Augustus Page	748 30
	Silas Pierce & Co.	1,000 00
	Pettingill & Everett	14,337 58
	Post Publishing Co.	13,827 92
	Priest, Page & Co.	1,439 83d
	L. B. Porter, treas.	6,205 10
	E. T. Porter, ex'r.	354 98
	Samuel L. Powers	478 45
	S. W. Pollard, treas.	348 50
	F. B. Percy	155 00
	W. M. Plummer, adm.	3,038 40
	George H. Quincy	210 00
	J. C. Richardson	19,236 20
	Ranson & Eldridge	2,533 18
	Andrew F. Reed	844 75
	Wm. Reardon	30,933 03
	Edwin Ray	276 05
	Edwin Reed	20,574 14
	Redlon & Cornish	100 00
	W. J. Roberts	1,178 81
	W. B. Robinson	250 00
	J. E. Rogers	1,377 12
	Ira Russell & Co.	25,646 85d
	John Russell, M. D.	1,040 00
	A. A. Rand, trustee	100 00
118	Sanderson Bros. Steel Co.	1,485 00
	J. C. Salmon & Co.	6,556 49
	L. M. Sanborn	2,897 34
	Star Newspaper Co.	10,382 34
	Charles P. Shillaber	293 49

Alfred Schoff	$370	12
John H. Sanborn	747	80
Shepard, Norwell & Co.	538,423	98
John Shepard, treas.	347	59
W. G. Shillaber	32,157	74
W. A. Simmons & Co.	334	89
A. H. Soden	23,283	17
Geo. A. Slack	3,217	72
Spaulding, Cotton & Co.	1,529	24
Springer Bros.	11,588	18
Arthur Sewall	2,529	17
Mrs. D. C. Styles	250	00
S. A. Stewart & Co.	14,330	42
Henry Stern & Co.	33,716	51
E. C. Soule	993	75
Albert Snow	248	60
C. E. Sheplie	849	80
Constant Southworth	400	00
W. H. Stewart	700	00
Geo. R. Tabor & Co.	2,043	30
Geo. R. Tabor, treas.	3,356	91
The Eager Manuf. Co.	804	61
C. M. Tillinghast, ag't	1,228	38
A. J. Tower	34,917	66d
E. Tourjée, treas.	21,214	10d
Geo. L. Treadwell	360	50
John H. Varrell	1,947	12
Ben. P. Walker	91	85
J. W. Wildes & Co.	1,340	47
M. Willis	3,760	59
A. B. Wentworth	1,137	65
Briggs Wadworth	210	00
W. S. Wilder	60	90
Watscheuer Bros.	925	30
Walpole Emery Mills	13,534	55
T. C. Weeks	453	08
F. N. West, agent	1,085	00
H. H. Westgate	8,683	25
J. H. Whitaker, treas.	4,948	17
Willow Dale Manf. Co.	10,128	50
H. L. White	286	69
Mary J. Watts	15,608	13
119 Howard Walter	460	00
John Woodbury	4,878	47
John Woorster	696	67
Fobes, Wight & Co.	16,530	22
Oswald A. Wills	81	82
Wiggin & Wood	304	72
E. D. Wiggin	62	30
J. H. Whittaker	8,027	94

H. Bigelow Williams	$13,962 02
Young, Thayer & Co.	40,254 24
Pinkham & Corey	30,000 00
	$2,388,617 21

LINUS M. PRICE.

Attest: JOHN G. STETSON, *Examiner.*

BOSTON, *Aug.* 19, 1885.

It is agreed that the questions and answers in this case are subject to all legal objections by either party the same as if taken at the time of their being put and given, except objections to matters of form.

Attest: JOHN G. STETSON,
Examiner.

120 *Prayer for Reversal.*

Circuit Court of the United States, District of Massachusetts. In Equity.

JOHN P. DELANO
v.
LINUS M. PRICE, Receiver. } No. 2180.

To the honorable the justices of the Supreme Court of the United States:

Respectfully shows to your honors the appellant, who is the complainant in the above-entitled cause, that he filed his bill of complaint in said circuit court on June 8, 1885, wherein he averred that he had in equity fully satisfied and extinguished a certain alleged liability which the defendant was at the time of filing of said bill seeking to enforce against the complainant by an action at law instituted and still pending in said circuit court, and wherein he prayed that the defendant might be enjoined from further prosecuting said action at law.

The defendant filed his answer to said bill on June 8, 1885, and issue was duly joined thereon by the complainant's replication filed on June 11th, 1885.

The cause came on to be heard by said circuit court upon the pleadings and proofs and was argued by counsel for the respective parties; and upon consideration thereof a final decree was
121 entered by said circuit court ordering the complainant's bill to be dismissed.

The appellant being aggrieved, and having in open court appealed from the whole of said decree of the circuit court of the United States, respectfully prays that the decree of said circuit court and the bill, answer, pleadings, agreed statement of facts, evidence, and proceedings in said cause may be sent to the Supreme Court of the United States, and that the said Supreme Court will proceed to hear the said cause anew, and that the said decree of the circuit court,

and every part thereof, may be reversed, and such other decree made as to said Supreme Court shall seem just.

And this appellant assigns for error in said judgment and decree of the circuit court that the circuit court ought to have held and adjudged that the complainant had in equity satisfied and extinguished the alleged liability which the defendant was seeking to enforce against him in said action at law and ought to have restrained the defendant from further prosecuting said action against the complainant, and that the circuit court erred in not so doing.

By BENJAMIN N. JOHNSON,
Of Counsel for Complainant.

122 UNITED STATES OF AMERICA, *Massachusetts District*, } *ss:*

I, John G. Stetson, clerk of the circuit court of the United States for the first circuit and district of Massachusetts, certify that the foregoing is a true copy of the record and all proceedings in the cause in equity entitled John P. Delano, complainant, *v.* Linus M. Price, receiver, defendant, in said circuit court determined.

In testimony whereof I hereunto set my hand and affix the seal of said circuit court, at Boston, in said district, this fifteenth day of September, in the year of our Lord one thousand eight hundred and eighty-five, and of the Independence of the United States the one hundred and tenth.

[Seal of the Circuit Court, Massachusetts.]

JOHN G. STETSON, *Clerk.*

123 Know all men by these presents that we, John P. Delano, of Bath, in the district of Maine, as principal, and Arthur Sewall and William D. Hill, of said Bath, as sureties, are held and firmly bound unto Linus M. Price, a citizen of the State of New Jersey, commorant at Boston, in the State of Massachusetts, receiver of the Pacific National Bank of Boston, in the full and just sum of five hundred dollars, to be paid to the said Linus M. Price, receiver, his certain attorneys, successors, or assigns; to which payment, well and truly to be made, we bind ourselves, our heirs, executors, and administrators, jointly and severally, by these presents.

Sealed with our seals and dated the eighth day of September, in the year of our Lord one thousand eight hundred and eighty-five.

Whereas lately at a circuit court of the United States, within and for the district of Massachusetts, in a suit in equity depending in said court between the said John P. Delano, complainant, and the said Linus M. Price, receiver, defendant, decree was rendered against the said complainant and the said complainant having obtained an appeal to remove the said cause to the Supreme Court of the United States to reverse the decree in the aforesaid suit, and a citation directed to the said defendant citing and admonishing him to be and appear at a Supreme Court of the United States to be holden at Washington on the second Monday of October next:

Now, the condition of the above obligation is such that if the said complainant shall prosecute his said appeal to effect and answer all